

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 2, 2022

New Issue – Book Entry Only

**Moody's: "Aa2"
S&P: "AA"
(See "RATINGS" herein)**

\$47,665,000*

**CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
School Facility Revenue Bonds
(New Community School Project), Series 2022**

Dated: Delivery Date

Due: as shown on inside cover

The School Facility Revenue Bonds (New Community School Project), Series 2022 (the "**Series 2022 Bonds**") are being issued by the City of Yonkers Industrial Development Agency (the "**Issuer**") in accordance with the Yonkers City School District Joint Schools Construction and Modernization Act, constituting Chapter 355 of the Laws of 2016 of the State of New York (the "**Yonkers Schools Act**"). The Series 2022 Bonds will be issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the "**Indenture**") between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the "**Trustee**"), to provide money to (i) finance a portion of the costs of construction of new community school facilities for use by the City of Yonkers (the "**City**") and the Yonkers City School District (the "**YCSD**"); (ii) fund capitalized interest; and (iii) pay certain costs of issuance of the Series 2022 Bonds. The Series 2022 Bonds are special limited obligations of the Issuer payable from amounts due solely from the YCSD and the City under an Installment Sale Agreement (New Community School Project), dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the "**Installment Sale Agreement**" or the "**Agreement**"), among the Issuer, the City, the YCSD and the Yonkers Joint Schools Construction Board (the "**JSCB**").

The obligation of the YCSD and the City to pay installment purchase payments under the Installment Sale Agreement is deemed executory only to the extent of New York State building aid and operating aid being (i) annually appropriated by the New York State Legislature and available for the provision of public educational instruction in the City ("**State Aid to Education**"), and (ii) appropriated by the City Council for such purpose after submission by the YCSD of its anticipated annual expenditures to the Mayor of the City, and approval by the YCSD of payment thereof after appropriation by the City Council. Pursuant to a State Aid Depository Agreement, dated as of August 1, 2021 (the "**State Aid Depository Agreement**"), among the YCSD, the City and Manufacturers and Traders Trust Company, as depository (the "**Depository**"), all State Aid to Education payable to the YCSD or the City is required to be deposited into a State Aid Depository Fund with the Depository and used to pay the principal of and interest on the Series 2022 Bonds and the Series 2021 Bonds (as defined herein) and other purposes of the YCSD once the conditions described above are met.

The Series 2022 Bonds are special limited obligations of the Issuer payable solely from: (i) the payment of installment purchase payments by the YCSD and the City under the Installment Sale Agreement; and (ii) the pledge of certain funds, including a bond fund, under the Indenture. In the event the YCSD and the City fail to make an installment purchase payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture each provide that, upon receipt by the New York State Comptroller (the "**State Comptroller**") of a certificate from the Trustee on behalf of the Issuer as to the amount of any such failed payment, the State Comptroller shall withhold State Aid to Education payable to the YCSD or the City to the extent of the amount so certified, and shall immediately pay such amount to the Trustee on behalf of the Issuer. The Series 2022 Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon. The Issuer has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS" herein.

The Series 2022 Bonds will be issued in fully registered form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"). See "THE SERIES 2022 BONDS—Registration and Payment — Book-Entry System" herein.

The Series 2022 Bonds will bear interest payable semiannually on May 1 and November 1 of each year commencing May 1, 2023 and are subject to redemption prior to maturity as described herein. See "THE SERIES 2022 BONDS—Redemption of Series 2022 Bonds" herein.

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, under existing statutes, regulations, administrative rulings, and court decisions as of the date of such opinion, and assuming continuing compliance by the Issuer, the YCSD and the City with certain covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, and the accuracy of certain representations made by the Issuer, the YCSD and the City, interest on the Series 2022 Bonds is excluded from gross income of the owners thereof for Federal income tax purposes, and is not an "item of tax preference" for purposes of computing the Federal alternative minimum tax imposed on individuals. However, for tax years beginning after December 31, 2022, interest on the Series 2022 Bonds held by certain corporations that are subject to the Federal corporate alternative minimum tax is included in the computation of "adjusted financial statement income" for purposes of the Federal alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that under existing statutes, including the Act, interest on the Series 2022 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

The Series 2022 Bonds are offered when, as, and if issued and received by the Underwriters subject to the approval of legality by Harris Beach PLLC, White Plains, New York, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by Lawrence Sykes, Esq., General Counsel; for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York; and for the JSCB, the YCSD and the City by the Corporation Counsel of the City. Capital Markets Advisors, LLC serves as independent financial advisor to the YCSD and the City. It is expected that the Series 2022 Bonds will be available for delivery through the facilities of DTC on or about December 6, 2022.

Roosevelt & Cross Incorporated

Academy Securities Inc.

Loop Capital Markets

Siebert Williams Shank & Co., LLC

Dated: November __, 2022

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$47,665,000*
City of Yonkers Industrial Development Agency
School Facility Revenue Bonds
(New Community School Project), Series 2022

<u>Maturity</u> (May 1)	<u>Principal</u> Amount	<u>Interest Rate</u>	<u>Price or</u> Yield	<u>CUSIP</u> Numbers [†]
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\$_____ % Term Bonds due May 1, _____, Price or Yield _____%, CUSIP Number[†]

* Preliminary, subject to change.

[†] Copyright, American Bankers Association (“ABA”). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2022 Bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2022 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the JSCB, the City, the YCSD or the Underwriters to give any information or to make any representations with respect to the Series 2022 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2022 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2022 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2022 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2022 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2022 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain information in this Official Statement has been supplied by the Issuer, the JSCB, the YCSD, the City, and other sources that the Issuer and the Underwriters believe are reliable. Neither the Issuer nor the Underwriters guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Issuer or the Underwriters. The information and expressions of opinions contained 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 Issuer, the JSCB, the YCSD, or the City since the date hereof.

The Issuer assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "THE ISSUER" and "NO LITIGATION" (but only with respect to the Issuer), all of which other information has been furnished by others.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Yonkers Schools Act, the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement (each as herein defined) do not purport to be complete. Reference is made to the Act, the Yonkers Schools Act, the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement for full and complete details of their respective provisions. Copies of the Indenture, the State Aid Depository Agreement, the Installment Sale Agreement, and the License Agreement, are on file with the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2022 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2022 Bonds.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the State, the YCSD and the City and the amount of State Aid to Education paid to the YCSD or the City, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Issuer, the Underwriters, the YCSD or the City that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the YCSD or the City. These forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Underwriters, the YCSD and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the YCSD’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2022 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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\$47,665,000*
**CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
SCHOOL FACILITY REVENUE BONDS
(NEW COMMUNITY SCHOOL PROJECT), SERIES 2022**

INTRODUCTION

General

This Official Statement sets forth certain information concerning the issuance and sale by the City of Yonkers Industrial Development Agency (the “*Issuer*”) of \$47,665,000* School Facility Revenue Bonds (New Community School Project), Series 2022 (the “*Series 2022 Bonds*”). The Series 2022 Bonds are being issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the “*Indenture*”) between the Issuer and Manufacturers and Traders Trust Company, as Trustee (the “*Trustee*”).

Certain capitalized terms used in this Official Statement which are not defined herein shall have the meanings assigned to them in APPENDIX B — “Certain Definitions” attached hereto.

Authorization

The Series 2022 Bonds are authorized by the Issuer’s enabling legislation constituting Title I of Article 18-A of the General Municipal Law of the State of New York (the “*State*”) (enacted into law as Chapter 1030 of the Laws of 1969 of the State), Chapter 83 of the Laws of 1982 of the State (collectively, the “*Act*”); and the Yonkers City School District Joint Schools Construction and Modernization Act, constituting Chapter 355 of the Laws of 2016 of the State, as amended from time to time (the “*Yonkers Schools Act*”); and the resolution of the Issuer adopted on August 17, 2021.

The Yonkers Schools Act was enacted and became effective in 2016, authorizing a comprehensive joint schools construction and modernization plan for the City’s public schools (the “*Program*”). The Program was adopted by the YCSD on July 17, 2019 and the JSCB on August 4, 2021 and was approved by the Commissioner of Education of the State of New York (the “*Commissioner*”) on April 29, 2021 in accordance with the Yonkers Schools Act.

Purpose

The proceeds of the Series 2022 Bonds will be applied to (i) finance the remaining portion of the costs of the construction and equipping of a new Pre-K to 8th grade public school including a 4-story Academic Building, a Community Building, playground and related improvements located at 121 McLean Avenue and 469-470 Van Cortlandt Park Avenue in the City (the “*Project Site*”), to be undertaken pursuant to the Program (collectively, the “*New Community School Project*”); (ii) fund capitalized interest on the Series 2022 Bonds; and (iii) pay certain costs of issuance of the Series 2022 Bonds.

The Program

The Yonkers Schools Act created the JSCB and authorized the JSCB to develop and maintain the Program, consisting of a comprehensive joint schools construction and modernization plan for the City’s public schools. The Yonkers Schools Act authorized total project costs to be financed under the Program

* Preliminary, subject to change.

of \$523 million, and authorized bonds, notes and other obligations to be issued on behalf of the YCSD to finance such project costs in an aggregate principal amount not to exceed \$523 million.

The Yonkers Schools Act provides that phase one of the Program will consist of construction of up to three new schools along with critical infrastructure system replacements at the existing schools to maintain safe operation of the existing schools until future renovations are made as part of the Program. The New Community School Project is being undertaken as part of phase one of the Program and is the first Project undertaken pursuant to the Program. On September 16, 2021, the Issuer issued \$25,000,000 aggregate principal amount of Project Bonds under the Indenture, designated as School Facility Revenue Bonds (New Community School Project), Series 2021 (the “*Series 2021 Bonds*”), to finance and refinance certain costs of the New Community School Project. The Series 2021 Bonds and the Series 2022 Bonds are sometimes collectively referred to herein as the “*Bonds*.”

It is anticipated that funds required to finance the costs of construction, rehabilitation, reconstruction and/or equipping of Additional Facilities for subsequent phases of the Program will be derived, in whole or in part, through the issuance and sale of other series of bonds, which, together with the Series 2022 Bonds and the Series 2021 Bonds, are collectively referred to hereinafter as “*Project Bonds*” issued by the Issuer. Such Additional Facilities will be made subject to a separate installment sale agreement or similar instrument.

All of the \$25,000,000 original aggregate principal amount of Series 2021 Bonds are currently outstanding and, prior to the issuance of the Series 2022 Bonds, the Series 2021 Bonds constitute the only Project Bonds that have been issued.

Structure

Pursuant to the License Agreement, dated as of September 1, 2021 (the “*License Agreement*”), among the Issuer, the City and the YCSD, the City and the YCSD granted a license to the Issuer to enter upon the Project Site for the purpose of undertaking, equipping and completing the New Community School Project (collectively, the “*New Community School Facilities*”). The License Agreement was entered into concurrently with the issuance of the Series 2021 Bonds and has a term ending upon the completion of the New Community School Project. Concurrently therewith, the Issuer sold and assigned its license interest under the License Agreement in the New Community School Facilities to the YCSD and the City pursuant to the Installment Sale Agreement. Installment Purchase Payments payable by the YCSD and the City under the Installment Sale Agreement will equal the aggregate principal and interest due on the Series 2021 Bonds and the Series 2022 Bonds, including any mandatory principal payments. Pursuant to the Yonkers Schools Act, the Board of Education for the YCSD shall be responsible for the maintenance and operation of the New Community School Facilities.

Pursuant to the Indenture, the Issuer issued the Series 2021 Bonds and will issue the Series 2022 Bonds to finance the remaining costs of the New Community School Project. The New Community School Project is being undertaken by the JSCB on behalf of the City and the YCSD, as agent of the Issuer. Pursuant to the Program Manager Agreement (as defined in the Installment Sale Agreement) and the Yonkers Schools Act, the Program Manager shall manage the New Community School Project.

Security

Principal of and interest on the Bonds will be secured by: (i) Installment Purchase Payments to be made by the YCSD and the City under the Installment Sale Agreement; and (ii) the pledge of certain funds, including the Bond Fund under the Indenture. In the event the YCSD or the City fails to make an Installment Purchase Payment under the Installment Sale Agreement, the Yonkers Schools Act and the

Indenture each provide that, upon receipt by the New York State Comptroller (the “*State Comptroller*”) of a certificate from the Trustee on behalf of the Issuer as to the amount of any such failed payment, the State Comptroller shall withhold from the YCSD and the City any State Aid to Education payable to the City or the YCSD to the extent of the amount so certified, and shall immediately pay such amount to the Trustee on behalf of the Issuer. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS — State Aid Intercept” and “— State Aid to Education.” The Yonkers Schools Act further provides that (x) any amount of State Aid to Education so paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD or the City to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education, and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount.

The obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement is deemed executory only to the extent of State Aid to Education being (i) annually appropriated by the New York State Legislature (the “*State Legislature*”) and available therefor, and (ii) appropriated by the City Council for such purpose after submission by the YCSD of its anticipated annual expenditures to the Mayor of the City, and approval by the YCSD of payment thereof after appropriation by the City Council, and no liability on account thereof shall be incurred by the YCSD or the City beyond the amount of such State Aid to Education so available and appropriated; *provided, however*, that the failure of the YCSD and the City for any reason (including a failure by the YCSD to include in its budget funds for Installment Purchase Payments, a failure by the City to approve a budget and appropriate funds providing for Installment Purchase Payments or a failure by the State to appropriate State Aid to Education) to make an Installment Purchase Payment under the Installment Sale Agreement is deemed a failure to make a payment thereunder for purposes of the State Aid to Education intercept implementing provisions of the Yonkers Schools Act and the intercept provisions of the Indenture. Except to the extent limited as provided above, the obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement and to perform their obligations thereunder shall be absolute and unconditional; and such Installment Purchase Payments and other amounts shall be payable without any rights of set-off, or recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction they might otherwise have against the Issuer, the Trustee, any purchaser of any Series 2022 Bond or any other person and whether or not any or all of the facilities financed with the proceeds of the Series 2022 Bonds are used or occupied by the City, the JSCB or the YCSD or available for use or occupancy by the City, the JSCB or the YCSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS,” “BONDHOLDERS’ RISKS — Additional Series of Project Bonds” and APPENDIX D — “Summary of Certain Provisions of the Installment Sale Agreement.”

The YCSD, the City and Manufacturers and Traders Trust Company, as depository bank (the “*Depository*”), have entered into a State Aid Depository Agreement, dated as of August 1, 2021 (the “*State Aid Depository Agreement*”). In accordance with the State Aid Depository Agreement, the Commissioner of Finance of the City (the “*Commissioner of Finance*”) and the President of the Board of Education of the YCSD have instructed the State Comptroller to pay all State Aid to Education directly to a designated fund (the “*State Aid Depository Fund*”) held with the Depository. Provided the City and the YCSD have made an appropriation for the payment of Installment Purchase Payments under the Installment Sale Agreement, amounts in the State Aid Depository Fund will be timely transferred to the Trustee for deposit in the Bond Fund established under the Indenture (and to each equivalent fund under each other bond indenture authorizing a series of Project Bonds), on a Ratable Basis (as defined in the State Aid Depository Agreement), toward the payment of the Series 2022 Bonds and any other series of Project Bonds then outstanding (including the Series 2021 Bonds), and any balance remaining will be transferred to the YCSD. The State Aid Depository Agreement provides that amounts in the State Aid Depository Fund will be

transferred on a Ratable Basis by the Depository to all Bond Funds periodically from each December 1 until each March 31 of each Fiscal Year (the “*Collection Period*”) and will serve as a credit against the obligation of the YCSD and the City to pay annual Installment Purchase Payments under all outstanding Installment Sale Agreements due on April 1 of each year. Although the State Aid Depository Agreement requires an immediate transfer of State Aid to Education from the State Aid Depository Fund to all Bond Funds during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of any Indenture and are not pledged as security for the payment of any Project Bonds, including the Series 2022 Bonds, until such amounts have been received by the Trustee and deposited in a Bond Fund in accordance with the applicable Indenture.

Notwithstanding the April 1 Base Installment Purchase Payment Date under the Installment Sale Agreement, said agreement provides that in the event the City Council has failed to appropriate by any November 1 the amount required to make the Base Installment Purchase Payment due on the immediately succeeding April 1 (less any amount on deposit in the Bond Fund on such November 1 and available on such date), then: (y) the YCSD will promptly deliver written notice of such failure to the Issuer and Trustee, and (z) that Base Installment Purchase Payment next due on such immediately succeeding April 1 (less any amount on deposit in the Bond Fund on such November 1 and available on such date) will instead be due on the November 15 immediately following such November 1 as if that November 15 were the originally scheduled Base Installment Purchase Payment Date. If for any reason the Base Installment Purchase Payment due on such November 15 is not made by such date, the Trustee, as the Issuer’s agent, shall certify such nonpayment to the State Comptroller and upon receipt of such certification, the State Comptroller, in accordance with the Yonkers Schools Act and the Indenture, shall withhold from the YCSD and the City any State Aid to Education otherwise payable to them to the extent of the amount so stated in such certification as not being made, and immediately pay over to the Trustee the amount so certified. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—State Aid Intercept” herein.

In each of the following YCSD fiscal years, the YCSD received the following amounts of State Aid to Education during the following collection period:

DECEMBER 1 TO MARCH 31 COLLECTION PERIOD RECEIPTS
(in millions)⁽¹⁾

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22⁽¹⁾</u>	<u>2022-23⁽²⁾</u>
December	\$11,901	\$12,683	\$12,806	\$12,920	\$13,442
January	1,649	1,793	11,705	14,171	1,651
February	1,649	1,793	6,151	1,945	1,651
March	88,995	98,514	84,729	100,161	127,282
Total	<u>\$104,193</u>	<u>\$114,783</u>	<u>\$115,391</u>	<u>\$129,197</u>	<u>\$144,028</u>

(1) Unaudited.
(2) Preliminary.
Source: YCSD Officials

No assurance can be given that the foregoing amounts of State Aid to Education will continue or will be appropriated by the State in such amounts in future fiscal years. See “PROGRAM PARTICIPANTS — The YCSD and Board of Education,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS” and “BONDHOLDERS’ RISKS — Competing Claims to State Aid,” and APPENDIX A — “Yonkers City School District Financial Statements for Fiscal Year Ended June 30, 2021.”

The State is not legally obligated to pay State Aid to Education to any governmental entities, including the YCSD or the City. The amount of State Aid to Education paid to the YCSD is dependent, in part, upon the financial condition of the State. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

Pursuant to the Indenture and the Pledge and Assignment, dated as of September 1, 2021, as amended and restated as of December 1, 2022, by the Issuer to the Trustee, acknowledged by the City, the YCSD and the JSCB (the “*Pledge and Assignment*”), the Issuer has assigned to the Trustee for the benefit of the holders of the Bonds, substantially all of its rights under the Installment Sale Agreement, including the right to receive and collect the Installment Purchase Payments (other than moneys payable for the Issuer’s Reserved Rights) payable by the YCSD and the City thereunder. The Issuer has also pledged and assigned to the Trustee for the benefit of the holders of the Bonds, substantially all of its right, title and interest in and to State Aid to Education received and the funds, monies or securities held under the Indenture (other than amounts set aside and transferred to the Rebate Fund), including amounts held in the Bond Fund.

THE SERIES 2022 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM (I) STATE AID TO EDUCATION PAYABLE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT, AND (II) THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURE. IN THE EVENT THE YCSD OR THE CITY FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER THE INSTALLMENT SALE AGREEMENT, THE YONKERS SCHOOLS ACT AND THE INDENTURE EACH PROVIDE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER CERTIFYING THE AMOUNT OF ANY SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID TO EDUCATION PAYABLE TO THE YCSD AND THE CITY TO THE EXTENT OF THE AMOUNT SO CERTIFIED, AND SHALL IMMEDIATELY PAY SUCH AMOUNT TO THE TRUSTEE ON BEHALF OF THE ISSUER. THE OBLIGATION OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE YCSD OR THE CITY AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY IS PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT. THE OBLIGATIONS OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE YCSD OR THE CITY CONSTITUTE A CURRENT EXPENSE OF THE CITY AND THE YCSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE YCSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE. THE ONLY SOURCES OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2022 BONDS ARE INSTALLMENT PURCHASE PAYMENTS MADE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO THE EXTENT OF STATE AID TO EDUCATION APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR AND APPROPRIATED BY THE CITY COUNCIL FOR SUCH PURPOSE AFTER SUBMISSION BY THE YCSD OF ITS ANTICIPATED ANNUAL EXPENDITURES TO THE MAYOR OF THE CITY, AND APPROVAL BY THE YCSD OF PAYMENT THEREOF AFTER APPROPRIATION BY THE CITY COUNCIL, THE PLEDGE OF CERTAIN FUNDS UNDER THE INDENTURE, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID TO EDUCATION PAYABLE TO THE CITY OR THE YCSD TO THE EXTENT OF ANY INSTALLMENT PURCHASE PAYMENT DEFICIENCY.

Brief descriptions of the Issuer, the Series 2022 Bonds, the security for the Series 2022 Bonds, the Program, the New Community School Project, the City, the YCSD, the JSCB, and the Program Manager

are set forth below or in the Appendices hereto. Summaries of certain financing documents are set forth below or in the Appendices hereto. Such summaries do not purport to be complete or definitive, each such summary is qualified in its entirety by reference to each such document for a complete description of all of the terms and provisions thereof, copies of which are on file with and are available at the offices of the Trustee, and no part of such summaries are to be construed as a representation or a guarantee of the accuracy or completeness by the Issuer other than the information under the captions “THE ISSUER” and “NO LITIGATION” (but only with respect to the Issuer) therein.

The Form of Approving Opinion of Bond Counsel for the Series 2022 Bonds is set forth in Appendix E hereto. The Form of Continuing Disclosure Agreement with respect to the Series 2022 Bonds is set forth in Appendix F hereto.

THE PROGRAM AND THE NEW COMMUNITY SCHOOL PROJECT

The Yonkers Schools Act authorized the JSCB to develop and maintain the Program. The Program was adopted by the YCSD on July 17, 2019 and was approved by the Commissioner of Education of the State of New York (the “*Commissioner*”) on April 29, 2021 in accordance with the Yonkers Schools Act. The Yonkers Schools Act provides that phase one of the Program will consist of construction of up to three new schools along with critical infrastructure system replacements at the existing schools to maintain safe operation of the existing schools until future renovations are made as part of the Program.

The New Community School Project is being undertaken as part of phase one of the Program and is the first Project undertaken pursuant to the Program. The New Community School Project consists of the (i) acquisition of real property located at 121 McLean Avenue and 469-470 Van Cortlandt Park Avenue in the City, as well any additional parcel(s) as may be required, including for offsite parking, (ii) demolition of three existing buildings thereon, and (iii) construction and equipping thereon of a new Pre-K to 8th grade public school including a 4-story Academic Building, a Community Building, playground and related improvements, to be named the Justice Sonia Sotomayor Community School. The total estimated project cost of the New Community School Project is approximately \$80 million. The Issuer previously issued the Series 2021 Bonds to finance and refinance certain costs of the New Community School Project.

The JSCB has retained Savin Engineers, P.C. to be the independent program/construction management firm for the implementation of Phase 1 of the Program (“*Program Manager*”), and to be the construction manager for projects for new school construction undertaken pursuant to Phase 1 of the Program.

It is anticipated that the undertaking of subsequent Projects pursuant to the Program will be funded by the issuance of one or more series of Project Bonds under separate Indentures.

PROGRAM PARTICIPANTS

The City

General

The City is a municipal corporation of the State. With a population estimated at 211,569 according to 2021 Decennial U.S. Census data, the City is the third most populous city in the State. The City has an area of approximately 18.3 square miles and is located in the southwestern section of Westchester County (the “*County*”).

The City was incorporated in 1872. Subject to the State Constitution, the City operates pursuant to the City Charter, adopted in 1961 and subsequently amended, and in accordance with other laws governing

the City, including the General City Law, the Second Class Cities Law, Municipal Home Rule Law, the General Municipal Law and the Local Finance Law, to the extent that such laws are applicable to a city operating under a charter form of government.

Although the City is also, in large measure, responsible for the financing of local primary and secondary educational expenditures, the Board of Education (the “*BOE*”), composed of members appointed by the Mayor, administers the YCSD. Pursuant to State legislation enacted on April 1, 2014, the City and the YCSD entered into an inter-municipal agreement on June 14, 2014, whereby the City assumes control of all BOE financial and budget functions. The inter-municipal agreement gives the City certain administrative controls over non-academic operations functions of the YCSD.

City Officials

Set forth below is a brief description of the structure of the government of the City.

The Mayor. The Mayor is elected for a four-year term and is designated by the charter to be the chief executive and administrative officer of the City. The Mayor is limited to up to 12 years consecutively, or 3 terms. The Mayor appoints the members of the Yonkers Parking Authority and the Issuer, as well as, many other Boards and Commissions. The Mayor is responsible for appointing the Board of Education of the YCSD without the advice and consent of the City Council. The Mayor is responsible for the appointment of all department and agency heads, with the advice and consent of the City Council, except for the members of the Library Board and the City Clerk. The Mayor is responsible for the operations and performance of all City departments and agencies and prepares the City’s Annual Budget. The Mayor is also a member of the Board of Cooperative Educational Services of the Sole Supervisory District of Westchester.

The City Council President. The City Council President is elected City-wide for a four-year term and presides over the deliberations of the City Council. In addition, the City Council President is the Chair of the Rules Committee which sets the agenda for all City Council meetings. The current City Council President is Lakisha Collins-Bellamy who has served in that capacity since January 1, 2022.

City Council. The legislative power of the City is vested in the City Council. The membership of the City Council includes the City Council President and six members selected from single member districts. A City Council term is four years and the Council Members are limited to three consecutive terms. The Council meets at both regular and special meetings throughout the year. The Council utilizes the committee system, and through the committees, the Council reviews legislative proposals and, subject to the terms of the Special Local Finance and Budget Act of the City of Yonkers, adopts the annual budget, levies taxes, approves modifications to the budget proposed by the Mayor, and authorizes all indebtedness of the City. The Council appoints the City Clerk.

Commissioner of Finance and Management Services. The Commissioner of Finance and Management Services and Comptroller oversees the audit and financial aspects of the government, including the YCSD. John Liszewski is the appointed Commissioner of Finance and Management Services.

The YCSD and Board of Education

The YCSD is a separate public entity with its own budget, administration. The members of the Board of Education are appointed by the Mayor. YCSD has no taxing power and relies solely on the City Council for appropriations. With the signing of the Inter-municipal Agreement (IMA) on June 12, 2014, the City has taken over several non-academic departments from the YCSD, such as finance, human resources, legal, public information and information technology, allowing for greater transparency and accountability between the City and the YCSD.

The BOE appoints a Superintendent of Schools to act as Chief Administrator of the City’s public school system. Dr. Edwin M. Quezada was appointed Superintendent of Schools on March 16, 2016.

For the Fiscal Year ended June 30, 2021, the City of Yonkers has presented separate audited financial statements for the City and the YCSD. The audited financial statements for the YCSD for the Fiscal Year ended June 30, 2021 are included in APPENDIX A — “Yonkers City School District Financial Statements for Fiscal Year Ended June 30, 2021.”

YCSD operations are funded through City appropriations, Federal and State aid to education, grants, and locally generated revenues of the YCSD. The YCSD operates a school breakfast and lunch program separately accounted for in a special revenue fund designated School Lunch Fund.

The following table sets forth information relating to the school system. Enrollment figures are determined in October of each year.

(School Year Ending June 30)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽¹⁾</u>
Enrollment	26,258	26,500	27,024	27,220	26,546	26,581	26,081	25,805	25,083	24,420
Schools	39	39	39	39	39	39	39	39	39	39

⁽¹⁾ Projected.
Source: YCSD

The JSCB

The JSCB was created by the Yonkers Schools Act and is a joint instrumentality of the City and the YCSD, acting for and on behalf of the City and the YCSD. The Yonkers Schools Act grants certain powers to the JSCB with respect to directing and overseeing the rehabilitation and reconstruction of existing school facilities as well as the construction of new school buildings. The JSCB is currently undertaking phase one of the Program (see “THE PROGRAM AND THE NEW COMMUNITY SCHOOL PROJECT” herein).

The JSCB is comprised of nine voting members, consisting of the Mayor, the President of the BOE, the Superintendent of the Yonkers Public Schools, a designee of the Yonkers Council of Parent Teachers Association, a designee of the City Council majority party, a designee of the City Council minority party, and 3 individuals not employed by the City or the City School District, jointly designated by the Mayor and the Superintendent. The JSCB was appointed and officially sworn in on December 18, 2018.

The Program Manager

Pursuant to the provisions of the Yonkers Schools Act, the JSCB selected the Program Manager for the implementation of Phase 1 of the Program and to be the construction manager for projects for new school construction undertaken pursuant to Phase 1 of the Program under the supervision of the designated JSCB representative. The Program Manager entered into an agreement with the JSCB and is obligated and required to provide program management and construction management services with regard to projects for new school construction undertaken pursuant to Phase 1 of the Program. Specifically, the Program Manager has the duty to manage and oversee all aspects of all projects for new school construction undertaken pursuant to Phase 1 of the Program.

New York State Education Department

The management, regulation and funding of the YCSD is subject to the review of the New York State Education Department (the “*SED*”). The SED also determines State Building Aid (as defined herein)

reimbursement for improvements to school facilities undertaken in accordance with the Program (see “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2022 BONDS – State Aid to Education – *State Building Aid*” herein). The SED is the administrative agency of the Board of Regents (the “*Board of Regents*”) of the University of the State of New York (the “*University*”). The Board of Regents was established by an act of the State Legislature in 1784 and is vested with constitutional responsibility for determining and formulating State educational policy. The University, over which the Board of Regents presides, is a corporation authorized to charter, review and regulate educational institutions and activities within the State. The University encompasses all State educational programs, from kindergarten through graduate and professional schools and includes libraries, museums and other related cultural and educational institutions as may be admitted to the University or incorporated by the Board of Regents. It consists of almost 6,000 elementary and secondary public and private schools and 250 independent and public colleges and universities.

DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD

Budget Procedures

The proposed operating budget of the City is prepared by the Mayor and, pursuant to the Code of the City, is required to be submitted to the City Council by April 15th of each year. The Mayor includes estimates of expenditures required for each department of the City as well as estimates of revenues from all sources, including ad valorem real property taxes. The YCSD submits to the Mayor an estimate of its anticipated expenditures, and the Mayor is responsible for recommending to the City Council the amount to be appropriated for educational purposes. Adoption of the budget by the City Council and approval by the Mayor is required under the City Code to occur by June 1 unless the State has not adopted its budget. Under those conditions, the City must adopt its budget 30 days after the State adopts its budget. Upon the adoption of the budget, the tax rate and levy are determined for the ensuing year. Under current law, the tax rate and levy cannot thereafter be amended. The City Council and the Mayor may, during the course of the year, revise appropriations and make fund transfers with respect to general operations, but may not reduce the appropriation for the YCSD unless the YCSD authorizes the reduction and it is approved by the State Comptroller. The YCSD has complete discretion under the education laws over its expenditures within the overall appropriation. See also “Review of FY22-23 Adopted Budget by State Comptroller” herein for a discussion of the certification process for the City’s annual budget by the State Comptroller.

AUDITED FINANCIAL STATEMENTS OF THE YCSD FOR THE FISCAL YEAR ENDED JUNE 30, 2021 ARE INCLUDED IN APPENDIX A HERETO. A SUMMARY OF THE YCSD’S FINANCIAL RESULTS FOR THE YEAR ENDING JUNE 30, 2021 AND DISCUSSIONS OF THE 2022-23 BUDGET ARE PRESENTED HEREINBELOW.

Independent Audit

The audited financial statements of the YCSD for the fiscal year ended June 30, 2021 are contained in APPENDIX A attached hereto. The YCSD financial statements are audited by the independent accounting firm of PKF O’Connor Davies LLP. The auditing firm has rendered an unmodified opinion with respect to its audit of the YCSD’s financial statements for the fiscal year ended June 30, 2021. The YCSD is not required to obtain the consent of its independent auditor as a condition to the use of its audited financial statements or information therefrom in this Official Statement. However, the auditing firm has consented to the use of their auditor’s reports on the basic financial statements of the YCSD, for the fiscal year ended June 30, 2021.

The YCSD expects that the audited financial statements of the YCSD for the fiscal year ended June 30, 2022 will be available in December 2022.

State Comptroller's Audits and Related Matters

The Office of the State Comptroller has statutory authority to audit school districts in the State. Such audits are routine in nature and typically follow a seven-year cycle. The YCSD is currently the subject of an audit by OSC focusing on internal controls. The audit commenced in September 2022 and will cover the last completed fiscal year (6/30/2022) and up to the start of the audit (9/2022).

Board of Education General Fund Operations

The Board of Education's General Fund FY16-17 revenues and other financing sources of \$552,111,129 exceeded expenditures and other financing uses of \$536,894,359 by \$15,216,770. The ending assigned fund balance for FY16-17 was \$42,724,727. The ending restricted fund balance for FY16-17 was \$964,300.

The Board of Education's General Fund FY17-18 revenues and other financing sources of \$552,886,846 was exceeded by expenditures and other financing uses of \$563,628,783 by \$10,741,937. The ending assigned fund balance for FY17-18 was \$31,982,790. The ending restricted fund balance for FY17-18 was \$964,300.

The Board of Education's General Fund FY18-19 revenues and other financing sources of \$559,481,299 was exceeded by expenditures and other financing uses of \$569,097,681 by \$9,616,382. The ending assigned fund balance for FY18-19 was \$20,813,401.

The Board of Education's General Fund FY19-20 revenues and other financing sources of \$586,588,425 exceeded expenditures and other financing uses of \$568,549,688 by \$18,038,737. The ending assigned fund balance for FY19-20 was \$37,228,141.

The Board of Education's General Fund FY20-21 revenues and other financing sources of \$583,538,395 exceeded expenditures and other financing uses of \$570,623,222 by \$12,915,173. The ending assigned fund balance for FY20-21 was \$53,551,498.

Based on the 4th Quarter Projection, the Board of Education's General Fund FY21-22 revenues and other financing sources are projected to be \$613,729,489 which exceeds projected expenditures and other financing uses of \$611,038,938 by \$2,690,551. The ending assigned fund balance for FY21-22 is projected to be \$56,584,401.

For additional information, see "Board of Education Revenues" below.

City and Board of Education Adopted Budget FY22-23

The discussion below is based, in part, on projections and/or forward-looking statements related to FY22-23. No assurance can be given that the budget estimates and/or forward-looking statements discussed below will be realized. The accuracy of the budget estimates and/or forward-looking statements contained under this caption cannot be verified until after the close of such Fiscal Year(s) and the completion of the related audits. In addition, the accuracy of all projections and forward-looking statements is dependent on a number of factors, including: (1) general economic factors that affect local source revenues such as sales taxes and individual income taxes, (2) the effectiveness of monitoring City and YCSD expenditures, (3) the ability of the City and the YCSD to meet spending reduction initiatives, (4) the amount of state and federally mandated expenditures, (5) year-end accruals of revenues and expenses, and (6) the implementation of new state and federal legislation or initiatives, among others.

The City Council adopted the FY22-23 Budget on May 25, 2022. The State Comptroller certified the City's FY22-23 Budget on June 1, 2022.

The adopted operating budget for combined City and YCSD operations in FY22-23 totals \$1,379,872,924, a \$128,360,735 (10.26%) increase over the FY21-22 Adopted Budget. The FY22-23 Adopted Budget provides (1) a municipal operating budget of \$686,828,148, a \$99.3 million (16.9%) increase from FY21-22, and (2) a YCSD budget of \$693,044,776, a \$29.1 million (4.4%) increase from Adopted Budget FY21-22. The City increased its contribution to the YCSD by \$7,433,814 over FY21-22, to a total of \$287,976,877, which includes \$20,597,827 from the increase in the City's sales and compensating use tax by one half of one percent (from 2.5% to 3.0% of the total sales and compensating use tax collected in the City).

The FY22-23 City Adopted Budget is balanced by utilizing \$47.3 million of the available \$69.3 million unassigned General Fund balance from year-end FY20-21. The FY22-23 YCSD Adopted Budget is balanced utilizing \$9.4 million of the \$44.5 million available for future year use Education General Fund balance from year-end FY20-21.

The overall tax levy is \$397,089,546, a \$6.4 million (1.63%) increase from the FY21-22 Adopted Budget amount of \$390,725,376. The tax rate increased by 1.25% to \$863.02 per \$1,000 of assessed value.

The FY22-23 City Adopted Budget includes 2,073 operating budget positions which is an increase of 47 positions over the FY21-22 Adopted Budget amount. The FY22-23 YCSD Adopted Budget includes 3,274 operating budget positions, an increase of 90 positions, as compared to the FY21-22 Adopted Budget.

Review of FY22-23 Adopted Budget by State Comptroller

Chapter 55 of the Laws of 2014 requires the City to submit to the State Comptroller and the Commissioner, its proposed budget for the next succeeding fiscal year. The State Comptroller and the Commissioner must examine the proposed budget and make recommendations as deemed appropriate after examining the estimates of revenues and expenditures of the City. The City must review the recommendations made by the State Comptroller and the Commissioner and make adjustment to its proposed budget consistent such recommendations. A copy of the Comptroller's review of the preliminary FY22-23 budget is available at: <https://www.osc.state.ny.us/local-government/audits/city/2022/05/16/city-yonkers-budget-review-b22-6-5>. The Commissioner did not comment on the City's preliminary FY22-23 budget.

On June 1, 2022, the State Comptroller provided the City with a letter stating that budget and related justification documents for FY22-23 are in material compliance with the Act and covenants related thereto. On June 10, 2022, the State Comptroller provided the City with a letter that identified certain issues that impact the City's financial condition in the current and future fiscal years. A copy of the letter is available at: <https://www.osc.state.ny.us/local-government/audits/city/2022/06/10/city-yonkers-budget-review-b22-6-6>.

Projected Financial Results of the YCSD for FY21-22

THE CITY MUST PREPARE A QUARTERLY REPORT OF SUMMARIZED BUDGET DATA DEPICTING TRENDS OF ACTUAL REVENUES AND BUDGET EXPENDITURES FOR THE ENTIRE BUDGET (INCLUSIVE OF THE YCSD). THE INFORMATION THAT FOLLOWS IS BASED UPON THE CITY'S QUARTERLY REPORT FOR THE 4TH QUARTER OF FY21-22 AND SUBSEQUENT PROJECTIONS. THE CITY AND THE YCSD CANNOT PREDICT AT THIS TIME

WHETHER THE YEAR-END RESULTS FOR FY21-22 WILL DIFFER SIGNIFICANTLY FROM THE 4TH QUARTER RESULTS AND PROJECTIONS SET FORTH HEREIN.

Based on the quarterly report for the fourth quarter of FY21-22, the YCSD is projected to increase available fund balance by \$4.4 million. Excluding the projection for \$9.4 million of fund balance that was appropriated to balance FY21-22, Education Fund revenues are projected at \$661.8 million, or \$2.8 million less than the FY21-22 amended budget amount of \$664.6 million. The primary drivers of the projected revenue shortfall in the FY21-22 4th quarter projection were Appropriated Fund Balances (\$9.4 million) as reserves that were appropriated and were not projected to be used, as well as Foundation Aid (\$1.5 million), (Career Aid (\$1.3 million), Transportation Aid (\$2.7 million), Charter School Transitional Aid (\$1.0 million) and Academic Enhancement Aid (\$0.4 million) shortfalls that were offset by overages in Sales Tax for Education (\$2.5 million), Private Cost Excess Aid (\$1.2 million), High Cost Excess Aid (\$0.9 million), Building Aid (\$0.2 million), Miscellaneous Departmental (\$0.8 million), Federal Funding (\$0.2 million) and Indirect Costs (\$0.1 million) and the accounting treatment of the refinancing of certain bonds by the City on behalf of the YCSD (\$7.6 million).

For FY21-22, YCSD expenditures were budgeted at \$664.6 million and are projected at \$657.4 million, or \$7.2 million below budget. Salaries are budgeted at \$317.7 million and are projected at \$310.9 million, or \$6.8 million below budget. Employee Benefits are budgeted at \$165.2 million and are projected at \$162.3 million, or \$2.9 million below budget. Out of district Tuitions are budgeted at \$28.9 million and are projected at \$29.2 million, or \$0.3 million above budget. Contractual expenses are budgeted at \$24.3 million and are projected at \$23.0 million, or \$1.3 million below budget. Debt Service costs were budgeted at \$30.5 million and are projected to be \$36.0 million, or \$5.5 million above budget primarily as a result of the accounting treatment of a refinancing of certain bonds by the City on behalf of the YCSD (\$5.5 million) and other debt service savings (\$2.1 million). The remaining expenses are projected to be below budget by \$2.0 million.

Combined, \$2.0 million below budget in revenues, and \$17.0 million under budget in expenditures, equals a projected increase to the available fund balance of \$15.0 million. At the end of FY20-21, the Education Fund available fund balance was \$44.5 million. The FY22-23 Adopted Budget appropriated \$9.5 million to balance which was \$0.1 million greater than the \$9.4 million used to balance FY21-22. In addition, the YCSD will designate \$20.0 million in fund balance as assigned for potential declines in future Federal funding. With a starting point of \$44.5 million, plus a projected increase of \$15.0 million, minus the net change in appropriated fund balance use of \$0.1 million, and minus the assignment of \$20.0 million, the projected available fund balance for the education fund which includes the general fund, categorical fund, and the debt service fund is \$39.4 million.

Updated Projections since the release of Q4 Quarterly Report

Subsequent to the release of the Q4 Projection, the following represents updated projections. The YCSD is projected to increase available fund balance by \$14.3 million. Excluding the projection for \$9.4 million of fund balance that was appropriated to balance FY21-22, Education Fund revenues are projected at \$662.6 million, or \$2.0 million less than the FY21-22 amended budget amount of \$664.6 million. The primary drivers of the projected revenue shortfall were Appropriated Fund Balances (\$9.4 million) as reserves that were appropriated were not projected to be used, Foundation Aid (\$1.5 million), (Career Aid (\$1.3 million), Transportation Aid (\$2.7 million), Categorical Aid (\$1.3 million), Charter School Transitional Aid (\$1.0 million) Academic Enhancement Aid (\$0.4 million), and Departmental (\$0.2 million). Shortfalls were offset by overages in Sales Tax for Education (\$2.5 million), High Cost Excess Aid (\$0.9 million), Private Cost Excess Aid (\$1.2 million), Building Aid (\$0.2 million), Miscellaneous Departmental (\$2.1 million), Federal Funding (\$1.2) and Indirect Costs (\$0.1 million) and the accounting treatment of the refinancing of certain bonds by the City on behalf of the YCSD (\$7.6 million).

For FY21-22, YCSD expenditures were budgeted at \$664.6 million and are projected at \$647.6 million, or \$17.0 million below budget. Salaries are budgeted at \$317.7 million and are projected at \$311.4 million, or \$6.3 million below budget. Employee Benefits are budgeted at \$165.0 million and are projected at \$159.9 million, or \$5.1 million below budget. Out of district Tuitions are budget at \$29.1 million and are projected at \$26.4 million, or \$2.7 million below budget. Contractual expenses are budgeted at \$24.5 million and are projected at \$21.4 million, or \$4.1 million below budget. Debt Service costs were budgeted at \$30.5 million and are projected to be \$36.0 million, or \$5.5 million above budget primarily as a result of the accounting treatment of a refinancing of certain bonds by the City on behalf of the YCSD (\$5.5 million) and other debt service savings (\$2.1 million). The remaining expenses are projected to below budget by \$4.3 million.

Combined, \$2.0 million below budget in revenues, and \$17.0 million under budget in expenditures, equals a projected increase to the available fund balance of \$15.0 million. At the end of FY21, the Education Fund available fund balance was \$44.5 million. The FY23 Adopted Budget appropriated \$9.5 million to balance which was \$0.1 million greater than the \$9.4 million used to balance FY22. With a starting point of \$44.5 million, plus a projected increase of \$15.0 million, minus the net change in appropriated fund balance use of \$0.1 million, the projected available fund balance for the education fund which includes the general fund, categorical fund, and the debt service fund is \$59.4 million.

Projected Financial Results of the YCSD for FY22-23

THE CITY MUST PREPARE A QUARTERLY REPORT OF SUMMARIZED BUDGET DATA DEPICTING TRENDS OF ACTUAL REVENUES AND BUDGET EXPENDITURES FOR THE ENTIRE BUDGET (INCLUSIVE OF THE YCSD). THE INFORMATION THAT FOLLOWS IS BASED UPON THE CITY'S QUARTERLY REPORT FOR THE 1ST QUARTER OF FY22-23. THE CITY AND THE YCSD CANNOT PREDICT AT THIS TIME WHETHER THE YEAR-END RESULTS FOR FY22-23 WILL DIFFER SIGNIFICANTLY FROM THE 1ST QUARTER RESULTS SET FORTH HEREIN.

Based on the quarterly report for the first quarter of FY22-23, the YCSD is projected to increase available fund balance by \$0.05 million. Education Fund revenues, which include those for the YCSD General Fund, Categorical Fund, and the YCSD Debt Service fund, are projected at \$706.5 million, or \$13.6 million more than the FY22-23 amended budget amount of \$692.9 million. The primary driver of the \$13.6 million projected revenue surplus is a result of the accounting treatment of a refinancing of certain bonds by the City on behalf of the YCSD.

For FY22-23, YCSD expenditures are budgeted at \$692.9 million and are projected at \$706.5 million, or \$13.6 million above budget. Salaries are budgeted at \$328.6 million and are projected at \$324.8 million, or \$3.8 million below budget. Employee Benefits are budgeted at \$173.1 million and are projected at \$171.7 million, or \$1.4 million below budget. Transportation costs are budgeted at \$45.1 million and are projected at \$50.8 million or \$5.7 million above budget. Out of district Tuitions are budget at \$32.0 million and are projected at \$31.4 million, or \$0.6 million below budget. Contractual expenses are budgeted at \$24.25 million and are projected at \$24.65 million, or \$0.4 million above budget. Materials and Supplies are budgeted at \$4.7 million and are projected at \$4.5 million or \$0.2 million below budget. Debt Service costs were budgeted at \$29.9 million and are projected to be \$43.5 million, or \$13.6 million above budget as a result of the accounting treatment of a refinancing of certain bonds by the City on behalf of the YCSD. Other expenditures are projected to be \$0.1 million above budget.

Combined, \$13.66 million above in revenues, and \$13.61 million above budget in expenditures, equals a projected increase to the available fund balance of \$0.05 million.

Impact of COVID-19 on the YCSD

The overall fiscal impacts of the pandemic on the YCSD may be illustrated by comparing the YCSD's current projected fund balance reserves with those of the period ending prior to the start of the pandemic. The first effects of the COVID-19 pandemic started for the YCSD in February/March 2020. The last financial projection prepared by the City prior to such period was the FY19-20 Q2 Projection, which projected financial performance up to December 31, 2019. The FY21-22 Q3 Projection, which projected performance up to March 31, 2022, is the most current financial projection prepared by the City. The following represents the change in available fund balance reserves for the YCSD from the FY19-20 Q2 Projection to the FY21-22 Q2 Projection.

For the YCSD, the FY19-20 Q2 Projection forecasted available to use general fund balance of \$7.5 million while the FY21-22 Q4 Projection indicates \$47.2 million available to use general fund balance projection, indicating that available to use general fund balance reserves grew by \$39.7 million over the course of seven fiscal quarters. The factors that have influenced performance during this time include: (1) Savings in Transportation expenses due to the closure of schools; (2) Additional State Aid in the form of Foundation Aid for the FY21-22 Budget (see also "*State Aid to Education*," herein) and (3) Reduction in Employee Benefits. Included in the measurement period are multiple federally awarded grants, which are above the normally allotted federal grant funding and directly resulting from large federal stimulus packages enacted since the beginning of the pandemic. For FY20-21, the YCSD was awarded \$10.4 million under Cares Act grants named the Elementary and Secondary School Emergency Relief ("ESSER") Grant and the Governor's Emergency Education Relief Grant ("GEER") to be budgeted in the FY20-21 general fund budget. For use in fiscal years starting FY21-22 and forward the YCSD was additionally awarded a total approximate amount of \$107.9 million in combined GEER and ESSER funds under the both the Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act. Amounts for those grants are expected to be budgeted and expensed in entirety by early in FY24-25 in the YCSD's special aid fund, which is outside the YCSD's general fund.

The YCSD is continuously monitoring the impacts of COVID on the financial position of the YCSD and will modify projections as circumstances require.

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**BOARD OF EDUCATION – GENERAL FUND
SUMMARY OF OPERATIONS AND CHANGES IN FUND BALANCE⁽¹⁾**

(000's Omitted)

	Adopted Budget FY22-23	Adopted Budget FY21-22	Actual (Audited) FY20-21	Actual (Audited) FY19-20	Actual (Audited) FY18-19
Revenues:					
Charges for Services	\$ 531	\$ 531	\$ 239	\$ 578	\$ 171
Use of Money and Property	160	60	24	163	288
Sale of Property and Compensation for Loss	2	19	21	2	3
Interfund Revenues	407	406	314	328	385
State Aid	378,911	359,013	321,118	338,670	322,208
Federal Aid	670	620	10,252	1,034	1,607
Miscellaneous	860	842	5,047	2,468	3,658
Total Revenues	<u>381,541</u>	<u>361,492</u>	<u>337,015</u>	<u>343,243</u>	<u>328,320</u>
Expenditures:					
Current-					
Education	479,404	458,374	418,286	408,906	409,975
Employee Benefits	169,636	161,960	147,852	154,502	155,067
Debt Service	2,729	1,652	1,634	1,616	1,598
Total Expenditures	<u>651,769</u>	<u>621,985</u>	<u>567,772</u>	<u>565,024</u>	<u>566,640</u>
Excess of Revenues Over Expenditures	<u>(270,228)</u>	<u>(260,494)</u>	<u>(230,757)</u>	<u>(221,781)</u>	<u>(238,320)</u>
Other Financing Sources (Uses):					
Transfer In	260,876	252,122	246,523	243,345	231,161
Transfer Out – Debt Service	-	-	-	-	(964)
Transfers Out – Other	-	-	(2,851)	(3,526)	(1,493)
Total Other Financing Sources (Uses)	<u>260,876</u>	<u>252,122</u>	<u>243,672</u>	<u>239,819</u>	<u>228,704</u>
Net Change in Fund Balance	<u>\$ (9,352)</u>	<u>\$ (8,372)</u>	<u>\$ 12,915</u>	<u>\$ 18,039</u>	<u>\$ (9,616)</u>
Fund Balance (Deficit)⁽²⁾⁽³⁾:					
Beginning of Year			41,369	23,331	32,947
End of Year			<u>\$ 54,284</u>	<u>\$ 41,369</u>	<u>\$ 23,331</u>
Fund Balance (Deficit)⁽²⁾⁽³⁾⁽⁴⁾:					
Restricted			\$ -	\$ -	\$ -
Nonspendable			733	4,141	2,517
Assigned			<u>53,551</u>	<u>37,228</u>	<u>20,814</u>
End of Year			<u>\$ 54,284</u>	<u>\$ 41,369</u>	<u>\$ 23,331</u>

(1) Presented on a modified accrual basis of accounting.

(2) Fund Balance Section left blank for Adopted Budget Columns FY21-22 & FY22-23.

(3) Detailed information on the components of fund balance may be found in Appendix A, Note 3 N.

(4) The Board of Education (BOE) General Fund, when presented in the City's Annual Comprehensive Financial Report (ACFR), is reported as a Special Revenue Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", a special revenue fund cannot report unassigned fund balance (unless reporting a deficit fund balance). Therefore, when reflected in the City's ACFR, the residual fund balance for the BOE General Fund is reflected as assigned for educational purposes. However, in the stand alone audited financial statements for the YCSD, this amount is reflected as both assigned (to balance the subsequent year's budget and encumbrances) \$9,009,419 for FY20-21, \$13,964,418 for FY19-20 and \$8,095,580 for FY18-19; and unassigned (to be used at the YCSD's discretion) \$44,542,079 for FY20-21, \$23,263,723 for FY19-20, and \$12,717,821 for FY18-19.

Board of Education Revenues

The YCSD's Consolidated Fund operations are funded primarily from the City's budget appropriations and from State Aid.

In FY16-17, the City contributed \$257.3 million to the YCSD. In addition, exclusive of categorical aid, the YCSD received \$303.8 million in State and Federal Aid and \$2.9 million from other sources. The FY16-17 Adopted Budget of the YCSD included \$11.0 million of the MIF Grant from the State and included \$14.8 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015.

In FY17-18, the City contributed \$261.2 million to the YCSD. In addition, exclusive of categorical aid, the YCSD received \$301.5 million in State and Federal Aid and to receive/appropriate \$4.9 million from other sources. The FY17-18 revenues included \$15.5 million in additional sales and compensating use tax collected by the City pursuant to Chapter 67 of the Laws of 2015.

In FY18-19, the City contributed \$261.6 million to the YCSD, which included \$16.1 million in additional sales and compensating use tax collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid, the YCSD received \$323.8 million in State and Federal Aid and received \$4.6 million from other sources.

In FY19-20, the City contributed \$265.6 million to the YCSD which included \$16.6 million in additional sales and compensating use tax collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid the YCSD received \$339.7 million in State and Federal Aid and received \$3.9 million from other sources.

In FY20-21, the City contributed \$270.8 million to the YCSD which included \$17.8 million in additional sales and compensating use tax collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid the YCSD received \$331.4 million in State and Federal Aid and received \$5.7 million from other sources.

In the FY21-22 Adopted Budget, the City is budgeted to contribute \$280.5 million to the YCSD, which includes \$17.4 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid, the YCSD is budgeted to receive \$359.6 million in State and Federal Aid and to receive/appropriate \$10.5 million from other sources including \$8.8 million in appropriated fund balance. The quarterly report for the fourth quarter of FY21-22 projects a City contribution of \$283.1 million, which includes \$19.9 million in sales and compensating use tax to be collected by the City, which is \$2.5 million above budget. In addition, the quarterly report for the fourth quarter of FY21-22 projects that exclusive of categorical aid, the YCSD will receive \$355.2 million in State and Federal aid which is \$4.4 million below budget and \$10.3 million from other sources which is \$0.2 million below budget.

In the FY22-23 Adopted Budget, the City is budgeted to contribute \$288.0 million to the YCSD, which includes \$20.6 million in additional sales and compensating use tax to be collected by the City pursuant to Chapter 67 of the Laws of 2015. In addition, exclusive of categorical aid, the YCSD is budgeted to receive \$379.6 million in State and Federal Aid and to receive/appropriate \$11.3 million from other sources.

As a matter of City policy, the YCSD is credited with the full amount of taxes levied by the City for school general operating purposes regardless of any deficiency in tax collections.

State Aid. The YCSD depends on substantial financial assistance from the State. The YCSD received State Aid for all funds of \$364.5 million in FY19-20 and \$349.1 million in FY20-21. Although

final grant revenues have not been finalized and the timing of the revenue collection may cross over fiscal years, the projected FY21-22 State aid for all funds is \$378.4 million. For the current fiscal year ending June 30, 2023, the YCSD budgeted \$403.7 million of State Aid receipts for all funds. This projection is based upon the sum of: (i) a \$378.9 million apportionment to the YCSD for operations and maintenance expenses, (ii) \$24.6 million in projected receipts of State grant funding (actual Grant revenues will vary with awards and the ability to fully voucher for allowable expenses) and (iii) \$0.2 million in projected receipt of food service funding.

The State's 2020-21 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. In December 2020, a second federal stimulus bill was enacted and provided additional funding for schools in the State. As of February 1, 2021, the SED advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above referenced 20% withholding. Such approval was received and the State did release all of the withheld funds by June 30, 2021.

The YCSD received \$2.5 million in State Aid payments previously withheld during its 2019-20 fiscal year by March 31, 2021 (the end of the State's 2021 fiscal year). The State did not reduce State Aid to municipalities and schools districts during its 2020-21 fiscal year to the extent permitted under provisions of the State's 2020-21 budget.

The State's 2021-22 Enacted Budget provided \$29.5 billion in State funding to school districts for the 2021-22 school year, the highest level of State aid ever at that time. This represented an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and included a \$1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase was targeted to high-need school districts. The State's 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2021-22 Enacted Budget also programs \$13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor's Emergency Education Relief Fund to public schools. This funding available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2021-22 Enacted Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State's 2021-22 Enacted Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The adopted State budget for the 2021 22 fiscal year included significant increases in State Aid for the YCSD, fully restored any State Aid reductions from FY20-21, and included legislation, that if followed, will fully fund State Foundation Aid by 2023 24, which includes a projected 6.6% increase in FY22-23 and a projected 6.2% in FY23-24 to the YCSD when other projected factors, such as the CPI and Extraordinary Needs percents are included. Based on November State Aid Runs and output reports, Foundation Aid is expected to grow \$20.2 million or 9.4% from \$213.74 million to \$233.9 million in FY21-22. Based on unaudited actuals, Foundation Aid grew by \$20.2 million or 9.5% from \$213.7 million to \$233.9 million in FY21-22.

Based on output reports for FY21-22, the YCSD anticipates that for General and Categorical Aid Funds (Consolidated Budget), it will receive a total amount of \$366.4 million in State Aid, which represents an increase of \$32.6 million from the \$334.0 million State Aid received in FY20-21. Based on the New York State Adopted Budget and April State Aid Runs for FY22-23, the YCSD anticipates that for the General and Categorical Aid Funds (Consolidated Budget), it will receive \$393.1 million in State Aid, or \$26.7 more than projected to receive in FY21-22.

For additional information on State aid, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS – State Aid to Education” and “BONDHOLDERS’ RISKS – The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

Issuance of Deficit Bonds by the City

As set forth in the audited financial statements of the YCSD for the Fiscal Year ended June 30, 2014, a deficit of \$40,754,451 appears in the General Fund of the YCSD as of June 30, 2014.

Causes of General Fund Deficit for FY13-14. The State provides annual State aid to school districts in the State, including the YCSD, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). To lessen the impact of the reductions in State aid upon school districts, the State authorized school districts, including the YCSD, to advance or to “spin-up” a portion of the subsequent year’s State aid allocation in the current year. During FY10-11 and FY11-12, the YCSD opted to advance or “spin-up” its State aid apportionment in an amount equal to its State aid allocation reduced by the GEA. In FY12-13 and FY13-14, the YCSD also opted to advance or “spin-up” its State aid on account of the GEA; however, there was no State legislative authorization allowing a spin-up in such years. As a result of the foregoing, the YCSD overstated State aid revenues of approximately \$55.0 million for FY12-13 (\$26.9 million) and FY13-14 (\$28.1 million), creating two fiscal years of budget shortfalls and an ongoing budget gap.

In January 2014, the City learned that the FY12-13 and FY13-14 Adopted Budgets of the YCSD had overestimated State aid revenues in the aggregate amount of approximately \$55.0 million. Immediately following the discovery of the YCSD budget shortfall, the City imposed various measures in an effort to curtail spending and mitigate the deficit. Due to the governance structure of the YCSD and City, the City was not authorized to assume control of the YCSD and its finances. As a budget-dependent/operationally independent school district, the control and management of the YCSD pursuant to State law was exclusively within the province of the YCSD. The City’s sole role was to provide financial support to operate the YCSD, but the City was legally restricted from overseeing the budget preparation, spending or accounts receivables function of the YCSD, despite the fact that YCSD financial support comprises more than one-half of the City’s overall budget. Pursuant to State law, the City has a statutory “maintenance of effort” requirement (the “*Maintenance of Effort*”) to provide a minimum level of local funding. As a result of the Maintenance of Effort, generally, financial support provided by the City cannot be reduced from one year to the next. In order to ensure compliance with the legal prohibition on direct control, the City and the YCSD entered into an interim inter-municipal agreement, which authorized the City to provide interim financial consulting services to the YCSD.

On February 25, 2014, the City’s Commissioner of Finance and Management Services issued a report providing an overview of the YCSD budget shortfall. On May 30, 2014, the Inspector General of the City released a report detailing his findings relating to the causes of the overestimation of State aid revenues in the FY12-13 and FY13-14 Adopted Budgets of the YCSD and the Superintendent of Schools and the Chief Administrative Officer resigned in February 2014 as a result thereof. An interim Superintendent was appointed by the Board of Education followed by his permanent appointment to the title of Superintendent

of Schools until his resignation in November 2015. The current Superintendent of Schools was appointed in March, 2016.

The overestimation of State aid in the aggregate amount of \$55,000,000 by the YCSD depleted the YCSD's fund balance, resulting in a YCSD deficit for FY13-14 and a significant projected YCSD deficit for FY14-15. The City requested assistance from the State to help mitigate the deficit for FY13-14 and the projected budgetary deficit for FY14-15. In response, the State enacted special legislation in connection with the adoption of the State budget on or about April 1, 2014, entitled Chapter 55 of the New York Laws of 2014 (the "**Deficit Financing Act**"). The Deficit Financing Act authorized the City to issue bonds in the principal amount of not to exceed \$45,000,000 for the purpose of liquidating the deficit in the General Fund of the YCSD for FY13-14. Upon the enactment of the Deficit Financing Act, the City became and continues to be subject to the provisions of the Deficit Financing Act and certain additional requirements and procedures pursuant to Section 10.10 of the Local Finance Law ("**Section 10.10**"). The Deficit Financing Act provided that the City may not issue any bonds for the purpose of liquidating such deficit until the amount of such deficit was confirmed and certified by the State Comptroller and such bonds were required to be issued no later than March 31, 2015. On March 27, 2015, following certification of the deficit by the State Comptroller, the City issued its \$37,260,000 School Deficit Bonds-2015A pursuant to this authorization.

Pursuant to the Deficit Financing Act, the City is required to submit to the State Comptroller and the Commissioner each year, starting with the budget prepared for FY14-15 and for each subsequent fiscal year during which any deficit obligations issued pursuant to the Deficit Financing Act are outstanding, its tentative or preliminary budget for the succeeding fiscal year. The State Comptroller and the Commissioner must examine the proposed budget and make such recommendations as deemed appropriate thereon to the City prior to the adoption of such budget. Such recommendations are to be made after examination into the estimates of revenues and expenditures of the City. Pursuant to the Deficit Financing Act, the City, no later than five days prior to the adoption of the budget, shall review any such recommendations made by the State Comptroller and the Commissioner and make adjustments to its proposed budget consistent with those recommendations. Copies of the recent reports issued by the State Comptroller and the Commissioner, together with the City's responses thereto, are available upon request. In addition, for each fiscal year that bonds issued to fund the deficits are outstanding, the City must prepare a quarterly report of summarized budget data depicting trends of actual revenues and budget expenditures for the entire budget. Such budgetary reports must compare revenue estimates and appropriations as set forth in the budget with actual revenues and expenditures made to date. All reports must be accompanied by a recommendation of the Mayor setting forth any remedial action necessary to resolve any unfavorable budget variances. All reports must be completed within thirty (30) days after the end of each quarter and must be submitted to each member of the City Council, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee.

In addition, beginning with the fiscal year during which the City is authorized to issue bonds to finance the deficit, to and including the last fiscal year that any of such bonds are outstanding, within thirty days after final adoption of the budget for the next succeeding fiscal year, the City must prepare a three (3) year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter, to be submitted to the financial member of the City Council, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee. The City must also notify the State Comptroller at least fifteen (15) days prior to the issuance of any bonds or notes or entering into any installment purchase contract by the City and the State Comptroller may review and make recommendations to the City regarding the affordability of any such proposed issuance or contract.

The Deficit Financing Act also authorized an additional provision of \$28,000,000 in grant funds from the State to the City. In order to receive the funding from the State, the City and the YCSD were required to enter into an inter-municipal agreement which provides for the City to impose specific financial, operational and/or supervisory controls over the YCSD. The new inter-municipal agreement between the City and the YCSD became effective on July 1, 2014 and continues in perpetuity (the “*IMA*”). On June 13, 2014 the New York State Director of Budget issued a letter determining that the IMA meets the requirements of the Deficit Financing Act and the \$28,000,000 grant was given to the City to balance the budget of the YCSD for the FY14-15.

The IMA requires that the City assume all YCSD finance and budget functions in consultation with the Superintendent of Schools and the Board of Trustees of the YCSD. Additionally, the IMA gives the City the authority to consult on all labor contracts. The IMA also gives the City, in consultation with the Superintendent of Schools and the Board of Education of the YCSD, the authority to supervise certain non-academic operational functions of the YCSD, as described in the Deficit Financing Act and the IMA. Pursuant to the IMA, in connection with the adoption of its FY14-15 budget, the City immediately absorbed the operations and expenses of various YCSD administrative functions. In addition, in accordance with the Deficit Financing Act, the IMA grants the City the authority to create, abolish, maintain and consolidate all positions in the non-academic operational functions described in the IMA. The YCSD retains the authority to create, abolish, maintain or consolidate positions which have a nexus to the academic activities of the YCSD, which do not fall within the scope of the finance and budget functions and non-academic operational functions discussed in the IMA. The Deficit Financing Act and the IMA authorize the City to implement a schedule of public hearings on the YCSD’s budget, which must be held at least quarterly and must be held in consultation with the Superintendent of Schools and the Board of Trustees of the YCSD. Lastly, the City is required to periodically prepare and issue a report regarding the consolidation.

As of the date hereof, the City and the YCSD have complied with the requirements of the Deficit Financing Act.

Additional measures undertaken to mitigate structural imbalance. The 2015-2016 Adopted Budget of the State did not continue the \$28,000,000 grant to the City; however, Chapter 20 of the New York State Laws of 2015 authorized the transfer of not-to-exceed \$25,000,000 from the State’s Mortgage Insurance Fund (the “*MIF Grant*”), to assist the YCSD in addressing the structural imbalance created by the overestimation of spin-up aid. As a condition of the release of the MIF Grant, the City was required to submit a comprehensive financial plan that provides for continuity of current educational services. The City’s plan was submitted to and approved by the State Budget Division.

In addition, Chapter 67 of the New York Laws of 2015 authorized the City to increase its sales and compensating use tax by one half of one percent (from 2.5% to 3.0%) of the total sales and compensating use tax collected in the City. The City is required to use the revenues generated by the increase in the sales and compensating use tax rate for the support of education, unless the City Council votes, on an annual basis, to use such additional revenue for a different purpose of the City.

Absent the MIF Grant and the increase in the sales and compensating use tax rate, the YCSD would have been required to make significant reductions in staff and program in order to balance its budget for FY15-16.

The additional sales and compensating use tax collected and applied to the YCSD’s budgets pursuant to Chapter 67 of the Laws of 2015 and allocated to the YCSD must be included in the Maintenance of Effort requirement and must be maintained by the City even if Chapter 67 of the Laws of 2015 is not extended beyond its current expiration date, which is November 30, 2023. Any decreases in the revenues generated from such additional sales and compensating use tax must be made up by the City as part of its

annual contribution to the YCSD. The MIF Grant was exempt from the Maintenance of Effort pursuant to the express provisions of Chapter 20 of the Laws of 2015.

Charter Schools

The Charter School of Excellence is the only locally-operated charter school (the “*Charter School*”) open to residents residing in the City. The Charter School is separately chartered by the Board of Regents of the State and is not subject to the control or supervision of the City or the YCSD.

Under the Charter School Act, Article 56 of the New York Education Law, the YCSD is required to pay a State-set tuition rate to the Charter School for students residing in the City who are enrolled in the Charter School. The amount to be paid to charter schools is based on various regulations, enrollment levels, and economic information related to the home school district of the children enrolled in charter schools. Currently, school districts in the State, including the YCSD, are required to pay tuition amounts that fluctuate annually with the approved operating expense per pupil of the home school district. The tuition payable equals the product of the set tuition per student and the full-time-equivalent enrollment of the students in the Charter School.

Charter School tuition payments are a significant expense to the YCSD. The YCSD made tuition payments to the Charter School in the aggregate amount of \$9.4 million for FY16-17, \$9.7 million for FY17-18, \$11.7 million for FY18-19, \$13.1 million for FY19-20, \$13.9 million for FY20-21, \$14.8 million (projected) for FY21-22 and has budgeted \$16.6 million for FY22-23 which is based on a budgeted enrollment of 972 students. See also “State Aid to Education” herein.

The Charter School began a new High School Charter School in FY19-20. Enrollment is expected to grow by one class for each fiscal year FY20-21 through FY22-23. The budget was increased in FY21-22 for the cost of an additional 40 students in the amount of \$1.1 million. In addition to the Charter School located in the City, approximately 199 residents are budgeted to attend 42 different charter schools located in the Bronx and Manhattan at a budgeted cost of \$3.3 million based on projected enrollment totals.

In the event the YCSD fails to make any required payment to the Charter School, the State Comptroller may deduct delinquent amounts from State Aid otherwise payable to the YCSD and pay such amounts to the Charter School.

Employee Contracts

The YCSD negotiates with four employee organizations. The CSEA and the Yonkers Federation of Teachers (YFT) are the two largest employee organizations.

- The Yonkers Public Schools CSEA collective bargaining agreement became effective on July 1, 2014 and expired on June 30, 2022.
- The Yonkers Federation of Teachers collective bargaining agreement became effective on July 1, 2014 and expired on June 30, 2022.
- The Yonkers Council of Administrators collective bargaining agreement became effective on July 1, 2014 and expired on June 30, 2022.
- The Yonkers Public Schools White Collar Teamsters (“*WCT*”) collective bargaining agreement became effective on July 1, 2015 and expired on June 30, 2021.

The YCSD is currently in negotiations with the respective employee organizations for the Yonkers Public Schools CSEA, Yonkers Federation of Teachers and Yonkers Council of Administrators collective bargaining agreements. The Yonkers Public Schools WCT collective bargaining agreement is currently before the BOE and City Council for approval.

Retirement Benefits

The State Employees' Retirement System ("**ERS**") was established in 1920. The State Teachers' Retirement System ("**TRS**") is separately administered by a ten member board.

The retirement benefit package available to Board of Education employees who are members of ERS depends on the date of their enrollment in the system and/or their classification as Tier 1 through Tier 6 employees. Retirement benefit packages available are prescribed by the State and are most liberal for Tier 1 and least liberal for Tier 6 employees. The retirement plan adopted by the Board of Education for Tier 1 and Tier 2 ERS members is noncontributory for employees. Tier 3 and Tier 4 ERS members with less than ten years of service must make annual contributions of 3% of their salary to the system; Tier 3 and Tier 4 members with ten years of service or more are not required to contribute.

TRS members hired after July 1, 1976 and before January 1, 2010 with less than 10 years of service must make annual contributions of 3% of their salaries, similar to Tier 3 and Tier 4 members of ERS. While TRS payments are Board budgeted appropriations, payment is made through a withholding of the required payment from general State education aid.

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 hired under Tier 5 contribute 3% of their salaries and new TRS employees contribute 3.0% 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 five years of employment and will continue to make employee contributions throughout their employment.

Each year the State bills the Board of Education for their required contributions to the State Pension Plan. The Employee Retirement System billing period is from April 1 through March 31, and the City is required to pay an estimated bill by February 1 of each year. The New York State Retirement System has advised the City that municipalities can elect to make employer contribution payments in December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discounted amount. The YCSD prepaid their employer contributions in December, years 2015 through 2021.

Billing for the TRS is made to the Board of Education for each plan year ending June 30 in the next fiscal year and is paid by the Board of Education in the same fiscal year as billed. See also "State Aid to Education" herein for a discussion of the withholding of TRS payments from certain of the YCSD's State Aid to Education payments.

The employer contribution rate for the State's Retirement System continues to be higher than the minimum contribution rate established by law. To mitigate the expected increases in the employer contribution rate, legislation was enacted in 2010 that authorized local governments and school districts to

borrow a portion of their required payments from the State pension plan at interest rates which vary each year. Pursuant to Chapter 57 of the Laws of 2013 of the State (the “*Alternate CSP*”), the YCSD opted to enter the Alternate CSP starting in 2014.

At times, the YCSD has elected to amortize a portion of their required pension contributions and certain early retirement incentives with the New York State Retirement System (ERS). A historical summary of the foregoing is set forth in Note 3 of the Notes to the Financial Statements of the Yonkers City School District for the Fiscal Year ended June 30, 2021, which are included in APPENDIX A hereto. The YCSD did not amortize ERS pension costs in FY20-21 and did amortize ERS pension costs in FY21-22.

The following is a summary of the contributions amortized by the YCSD since FY16-17:

Fiscal Year	ERS Amortized by YCSD
2016-2017	\$1,213,378
2017-2018	\$867,826
2018-2019	\$272,754
2021-2022	\$848,344

The Alternate Contribution Stabilization Option, enacted by the State under Chapter 57, Laws of 2013, modified the Original Contribution Stabilization Option adopted in 2010, giving municipalities the ability to better manage the spikes in Actuarially Required Contribution rates (“*ARCs*”) by extending the maximum length of any amortizations from 10 years to 12 years for ERS. Similar to the Original SCO, the alternate plan allows municipalities to pay the “SCO” amount in lieu of the “ARC” amount. The YCSD chose to enter the Alternate Contribution Stabilization Option for ERS.

Under Chapter 57 of the Laws of 2013, the State also enacted a Stable Contribution Option for the New York State Teachers’ Retirement System. The YCSD chose to enter this Stable Contribution Option for 2013-14, 2014-15 and 2015-16 but exited the SCO in 2016-2017 and returned to paying the normal rate. All outstanding amortized amounts owed through the Stable Contribution Option were paid in full in FY19-20.

The following table indicates expenditures by the YCSD for ERS and TRS for FY18-19 through FY20-21, as well as amounts budgeted in FY21-22 and FY22-23 in the YCSD General Fund. The amounts set forth in the following table include installment payments made by the City for pension obligation payments previously amortized by the YCSD.

	Actual FY 17-18	Actual FY 18-19	Actual FY 19-20	Actual FY 20-21	Budget FY 21-22	Budget FY 22-23
YCSD (ERS) ⁽¹⁾	\$10,021,107	\$11,073,076	\$8,603,702	\$8,958,931	\$11,605,087	\$11,648,164
YCSD (TRS) ⁽¹⁾	24,273,984	26,684,986	21,121,133	22,273,426	23,684,066	25,223,821

(1) Excludes Special Aid and School Lunch Funds
Source: City of Yonkers.

GASB 68 Accounting and Financial Reporting for Pensions

The YCSD participates in the New York State Retirement System. As discussed above, these are cost-sharing multiple employer defined benefit plans. Under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 “Accounting and Financial Reporting for Pensions” (“*GASB*”

68”), effective beginning with financial statements as of June 30, 2015, cost-sharing employers such as the YCSD were now required to report in their entity-wide financial statements a net pension liability (or asset), pension expense and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan.

Statement No. 68 expanded disclosures in the notes to the financial statements and the required supplementary information (the “*RSI*”). The note disclosures now include 1) a description of the plan(s) and the benefits provided, 2) the significant assumptions employed in the measurement of the net pension liability (or asset), 3) descriptions of benefit changes and changes in assumptions, 4) assumptions related to the discount rate and the impact on the total pension liability (or asset) of a one percentage point increase or decrease in the discount rate, and 5) the net pension liability (or asset) and deferred inflows and outflows of resources. The RSI must also provide ten year historical information (when available) regarding the entity’s proportionate share of the net pension liability (or asset) and a schedule of the entity’s contributions.

The YCSD is provided with the above information by the New York State Retirement System and this information is included in the YCSD’s audited financial statements for the year ended June 30, 2021. The YCSD reported a net pension liability of \$223,329 for its proportionate share of the net pension liability of ERS. The YCSD reported a net pension liability of \$42,435,625 for its proportionate share of the net pension liability of TRS.

More detailed information about the YCSD’s pension plan reporting in accordance with the provisions of GASB 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in Note 3, D in the YCSD’s audited financial statements for June 30, 2021, included in APPENDIX A hereto.

Life, Health and Dental Insurance

The YCSD provides life, health and dental insurance for all active employees and provides continuing health insurance coverage for substantially all YCSD employees retired from service. It is the YCSD’s practice to fund these insurance premiums as billed. In addition, complying with Civil Service law, the YCSD reimburses retirees for the cost of Part B Medicare premiums.

In FY16-17 through FY20-21, inclusive, the YCSD’s General Fund expended \$80.2 million, \$88.2 million, \$91.3 million, \$90.8 million, and \$87.9 million, respectively, in premiums and reimbursement for active employees, eligible retirees and other beneficiaries. The FY21-22 projected expenditure is \$95.8 million. The YCSD FY22-23 General Fund’s Adopted Budget for Life and Health Insurance is \$100.2 million.

GASB 75 and Other Post-Employment Benefits (OPEB)

The YCSD provides post-retirement healthcare benefits to former employees. These benefits are funded on a pay as you go basis. Under the requirements of the Governmental Accounting Standards Board (GASB), Statement No. 75, “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions” (“*GASB 75*”), all governmental entities are required to report the estimated cost of the accrued liability for such post-retirement benefits.

In addition to providing pension benefits, the YCSD provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the YCSD may vary according to length of service. The cost of providing post-employment health care benefits is shared between the employer and the retired employee. Substantially all of the YCSD’s employees may

become eligible for those benefits if they reach normal retirement age while working for the YCSD. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

The YCSD's total OPEB liability of \$2,257,777,298 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019.

GASB 87 Leases

Under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases", effective for the YCSD's fiscal year ending June 30, 2022, the YCSD will be required to recognize lease liabilities and intangible right-to-use lease assets (lease assets) in its financial statements for its lease obligations.

At the commencement of the leases, the YCSD will need to initially measure the lease liabilities at the present value of the payments expected to be made during the lease terms. Subsequently, the lease liabilities are to be reduced by the principal portion of the lease payments made. The lease assets are to be measured as the initial amount of the lease liabilities, adjusted for lease payments made at or before the lease commencement dates, plus certain initial direct costs. Subsequently, the lease assets are to be amortized on a straight-line basis over their useful lives. Key estimates and judgments related to leases will include how the YCSD determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease terms, and (3) lease payments.

The YCSD would utilize the interest rates charged by the lessors as the discount rates. When the interest rate charged by a lessor is not provided, the YCSD will generally have to use its estimated incremental borrowing rate as the discount rate for leases.

The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and purchase option prices that the YCSD would be reasonably certain to exercise. The YCSD would also need to monitor changes in circumstances that would require a remeasurement of its leases and will also be required to remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

The YCSD is currently in the process of gathering the data necessary to comply with the requirements of this standard.

THE ISSUER

The City of Yonkers Industrial Development Agency is a governmental agency and instrumentality constituting a body corporate and politic and a public benefit corporation of the State. The Issuer is authorized and empowered by the Act and the Yonkers Schools Act, as amended, to issue revenue bonds for the purpose, among others, of paying all or any part of the costs of projects, including the New Community School Project, to acquire, construct, reconstruct and equip any such project, to acquire real property, and to make and execute lease agreements, security documents and other contracts and instruments necessary or convenient in the exercise of such powers.

The Issuer consists of seven members: the Mayor of the City, a member appointed by the City Council, and five members appointed by the Mayor of the City.

THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION CONTAINED IN THIS SECTION AND INFORMATION RELATING TO THE ISSUER SET FORTH UNDER THE HEADING “NO LITIGATION.”

The Issuer has many special obligation bond issues outstanding and can be expected to issue others from time to time in the future. Each such issue is payable solely from revenues derived from the project being financed or from special funds established therefor, is separately secured, and is separate and independent from the Series 2022 Bonds as to sources of payment and security.

From time to time the Issuer anticipates entering into additional financing transactions with other entities in connection with projects unrelated to the New Community School Project. Such transactions will involve the issuance of bonds secured by other sources of revenues and other security.

As the Series 2022 Bonds are not paid directly or indirectly from the general credit of the Issuer, no financial information with respect to the Issuer has been included in this Official Statement.

PLAN OF FINANCING

The proceeds of the Series 2022 Bonds will be applied to (i) finance a portion of the costs of the New Community School Project; (ii) fund capitalized interest on the Series 2022 Bonds; and (iii) pay certain costs of issuance of the Series 2022 Bonds. The total cost of the New Community School Project is estimated to be approximately \$80 million.

SOURCES AND USES OF FUNDS

Sources of Funds

Principal Amount of Series 2022 Bonds	
[Plus/Less] Original Issue [Premium/Discount]	_____
Total Sources of Funds	=====

Uses of Funds

Project Fund	
Interest Account ⁽¹⁾	
Costs of Issuance ⁽²⁾	_____
Total Uses of Funds	=====

(1) Represents capitalized interest on the Series 2022 Bonds through ____, 2023.
(2) Includes Issuer fee, underwriters’ discount and certain other costs and rounding amount.

THE SERIES 2022 BONDS

General

The Series 2022 Bonds will be initially issued in book-entry-only form as a single authenticated fully registered certificate for each maturity of the Series 2022 Bonds. See “THE SERIES 2022 BONDS—Registration and Payment—Book-Entry System.”

The Series 2022 Bonds shall be dated, mature on the dates and in the principal amounts, and bear interest payable on the dates and at the annual rates, as set forth on the inside cover page hereto.

Interest on the Series 2022 Bonds shall be payable on each Interest Payment Date and shall be computed on the basis of a 360-day year of twelve 30-day months, commencing May 1, 2023. Notwithstanding anything herein to the contrary, the interest rate borne by the Series 2022 Bonds shall not exceed the maximum permitted by, or enforceable under, applicable law.

The principal or Redemption Price of the Series 2022 Bonds shall be payable at the principal corporate trust office of the Trustee in Buffalo, New York or at the corporate trust office of any successor Paying Agent. Interest on the Series 2022 Bonds shall be payable to the Person whose name appears on the registration books of the Trustee as the registered owner thereof on the Record Date next preceding the Interest Payment Date: (1) by check or draft mailed on the Interest Payment Date to the registered owner; or (2) by wire or bank transfer on the Interest Payment Date to any owner of at least \$1,000,000 in original aggregate principal amount of the Series 2022 Bonds, upon written notice provided by the owner to the Trustee not later than five (5) days prior to the Record Date for such interest payment (which request will remain in effect until revoked); except that, if and to the extent there shall be a default in the payment of the interest due on any Interest Payment Date with respect to the Series 2022 Bonds, the defaulted interest shall be paid to the owners in whose names the Series 2022 Bonds are registered at the close of business on a special record date to be fixed by the Trustee, which date shall not be more than fifteen (15) nor less than ten (10) days next preceding the date of payment of the defaulted interest. Interest payments made by check or draft shall be mailed to each owner at his or her address as it appears on the registration books of the Trustee on the applicable Record Date or at such other address as he or she may have filed with the Trustee for that purpose and appearing on the registration books of the Trustee on the applicable Record Date. Wire transfer payments of interest shall be made at such wire transfer address as the owner shall specify in his or her notice requesting payment by wire transfer.

Exchange of Series 2022 Bonds

The holders of any Series 2022 Bonds may surrender the same, at the principal corporate trust office of the Trustee, in exchange for an equal aggregate principal amount of Series 2022 Bonds of any of the authorized denominations of the same maturity and maturities as the Series 2022 Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Indenture. However, the Trustee will not be required to: (i) transfer or exchange any Series 2022 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series 2022 Bonds to be redeemed; or (ii) transfer or exchange any Series 2022 Bonds selected, called or being called for redemption in whole or in part.

Transfer of Series 2022 Bonds

Each of the Series 2022 Bonds is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the Trustee by the registered owner thereof in person, or by his duly authorized attorney-in-fact, upon surrender of such Series 2022 Bond

(together with a written instrument of transfer in the form appearing on such Series 2022 Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15), and thereupon a new fully registered Series 2022 Bond in the same aggregate principal amount and maturity shall be issued to the transferee in exchange therefor as provided in the Indenture and upon payment of the charges therein prescribed. The Issuer, the YCSD, the City, the JSCB, the Bond Registrar, the Trustee and the Paying Agent may deem and treat the person in whose name a Series 2022 Bond is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price thereof and interest due thereon and for all other purposes whatsoever.

Redemption of the Series 2022 Bonds

Optional Redemption of the Series 2022 Bonds

The Series 2022 Bonds maturing on or prior to May 1, 2032* are not subject to redemption prior to the maturity thereof.

The Series 2022 Bonds maturing on and after May 1, 2033* are subject to redemption, in whole or in part, at any time on or after May 1, 2032* (but if in part in integral multiples of \$5,000), at the option of the Issuer (which option shall be exercised upon the giving of notice by an Authorized Representative of the City of its intention to prepay Base Installment Purchase Payments due under the Installment Sale Agreement), at the Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2022 Bonds to be redeemed, together with interest accrued to the date of redemption.

Sinking Fund Redemption of the Series 2022 Bonds

The Series 2022 Bonds maturing on May 1, ____ are issued as term bonds and are subject to redemption, in part (but if in part in integral multiples of \$5,000), through application of Sinking Fund Installments upon notice given as prescribed in the Indenture, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price equal to one hundred percent (100%) of the principal amount of such Series 2022 Bonds to be redeemed, together with interest accrued to the date of redemption.

Series 2022 Term Bonds
Maturing May 1, ____
May 1, Sinking Fund Installment

† Stated maturity

Extraordinary Mandatory Redemption of the Series 2022 Bonds

The Series 2022 Bonds shall be redeemed at any time in whole or in part (but if in part in integral multiples of \$5,000) by lot prior to maturity in the event and to the extent: (i) excess proceeds of the Series

* Preliminary, subject to change.

2022 Bonds shall remain after the completion or abandonment of the New Community School Project, or (ii) moneys are transferred to the Bond Fund pursuant to the Indenture or paid to the Trustee pursuant to the Installment Sale Agreement for deposit into the Bond Fund upon receipt of property insurance or condemnation proceeds or proceeds of a conveyance in lieu of condemnation, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2022 Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Selection of Series 2022 Bonds to be Redeemed

If the Series 2022 Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2022 Bonds, the Issuer will cause notice of redemption to be given in accordance with the provisions of the Indenture. The selection of the book-entry interests within each Series 2022 Bond maturity to be redeemed will be done in accordance with the provisions of the Indenture and DTC procedures.

Redemption Procedures

If any of the Series 2022 Bonds are to be called for redemption, the Indenture requires a copy of the redemption notice to be mailed at least thirty (30) days prior to such redemption date to the registered owner of each Series 2022 Bond to be redeemed at the address for such owner shown on the registration books. All Series 2022 Bonds so called for redemption will cease to bear interest after the date fixed for redemption if funds for their redemption are on deposit at the place of payment at that time. If notice of redemption shall have been given as aforesaid, the Series 2022 Bonds called for redemption shall become due and payable on the redemption date, *provided, however*, that with respect to any general optional redemption as described above, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2022 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem the Series 2022 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of redemption shall be unconditional or, if the conditions of a conditional notice of redemption shall have been satisfied, then upon presentation and surrender of Series 2022 Bonds so called for redemption at the place or places of payment, such Series 2022 Bonds shall be redeemed.

So long as the Securities Depository is effecting book-entry transfers of the Series 2022 Bonds, the Trustee shall provide the notices specified in the paragraph above only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2022 Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise), to notify the Beneficial Owner of the Series 2022 Bond so affected shall not affect the validity of the redemption of such Series 2022 Bond.

Registration and Payment — Book-Entry System

Beneficial ownership interests in the Series 2022 Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2022 Bonds will not receive certificates representing their interests in the Series 2022 Bonds purchased.

DTC will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered securities 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 or more fully-registered Bond certificates will be issued and deposited with DTC for each principal amount of the Series 2022 Bonds maturing on a specified date and bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Series 2022 Bonds.

DTC, the world's largest securities 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.

Purchases of the Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022 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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, 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 Series 2022 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in Series 2022 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 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 Series 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct or 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. Beneficial Owners of Series 2022 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2022 Bonds. For example, Beneficial Owners of Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2022 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2022 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 Series 2022 Bonds, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption, distributions, and interest payments on the Series 2022 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 Issuer or the Trustee, 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, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, 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.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

The Issuer and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2022 Bonds registered in its name for the purpose of payment of the principal of, or interest on such Series 2022 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series 2022 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Trustee will not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2022 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Trustee) as being a registered owner, with respect to: the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Series 2022 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges provided in the Indenture; or other action taken by DTC as a registered owner. The Trustee will forward interest and principal payments to DTC, or its nominee. Disbursement of such payments to

the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2022 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE SERIES 2022 BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “SECONDARY MARKET DISCLOSURE” HEREIN) WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Series 2022 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2022 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2022 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 Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2022 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE ISSUER, THE UNDERWRITERS, OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2022 BONDS.

NONE THE ISSUER, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2022 BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OF THE SERIES 2022 BONDS; OR (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2022 BONDS.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS

General

The City and the YCSD granted a license interest in the New Community School Facilities to the Issuer pursuant to the License Agreement, to permit the Issuer to enter upon the Project Site for the purpose of completing the New Community School Project, and conveyed title to the equipment comprising the New Community School Project to the Issuer. The Issuer sold its license interest in the New Community School Project to the YCSD and the City pursuant to the Installment Sale Agreement and appointed the JSCB as agent of the Issuer with respect to the New Community School Project. Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially all of its right, title and interest in and to State Aid to Education and in and to the Installment Sale Agreement, including all rights to receive Installment Purchase Payments thereunder with respect to the Series 2022 Bonds (other than in respect of the Issuer's Reserved Rights). Under the State Aid Depository Agreement, the City, the YCSD and the Depository have agreed to direct the State Comptroller to pay all State Aid to Education directly to the State Aid Depository Fund established and held under the State Aid Depository Agreement, all for the benefit on a Ratable Basis of the Series 2022 Bonds and any other Series of Project Bonds that may be outstanding (including the Series 2021 Bonds). In the event the YCSD or the City fails to make a payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture each provide that, upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer certifying the amount of such failed payment, the State Comptroller shall withhold any State Aid to Education from the YCSD and the City payable thereto to the extent of the amount so certified in such certificate, and shall immediately pay to the Trustee on behalf of the Issuer the amount so certified.

The License Agreement

Pursuant to the License Agreement, the City and the YCSD granted a license interest in the New Community School Facilities to the Issuer to permit the Issuer to enter upon the Project Site for the purpose of completing the New Community School Project. The License Agreement has a term ending upon the completion of the New Community School Project.

The Installment Sale Agreement

The Issuer sold its license interest in the New Community School Project and the site described in the Installment Sale Agreement to the YCSD and the City pursuant to the Installment Sale Agreement. The Installment Sale Agreement provides for the appointment of the JSCB as the agent of the Issuer to complete the New Community School Project, provides the YCSD with the right to use, occupy and operate the New Community School Project, obligates the YCSD to maintain and manage the New Community School Project, and obligates the YCSD and the City to pay all costs related to operation of the New Community School Project. Installment Purchase Payments (as defined in the Installment Sale Agreement) due under the Installment Sale Agreement will equal principal and interest due on the Series 2022 Bonds (and the Series 2021 Bonds) and are payable on each April 1.

Notwithstanding the April 1 Base Installment Purchase Payment Date under the Installment Sale Agreement, said agreement provides that in the event the City Council has failed to appropriate by any November 1 the amount required to make the Base Installment Purchase Payment due on the immediately succeeding April 1 (less any amount on deposit in the Bond Fund on such November 1 and available on such date), then: (y) the YCSD will promptly deliver written notice of such failure to the Issuer and the Trustee, and (z) that Base Installment Purchase Payment next due on such immediately succeeding April 1 (less any amount on deposit in the Bond Fund on such November 1 and available on such date) will instead be due on the November 15 immediately following such November 1 as if that November 15 were the

originally scheduled Base Installment Purchase Payment Date. If for any reason the Base Installment Purchase Payment due on such November 15 is not made by such date, the Trustee, as the Issuer's agent, shall certify such nonpayment to the State Comptroller and upon receipt of such certification, the State Comptroller, in accordance with the Yonkers Schools Act and the Indenture, shall withhold from the YCSD and the City any State Aid to Education otherwise payable to them to the extent of the amount so stated in such certification as not being made, and immediately pay over to the Trustee the amount so certified. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—State Aid Intercept" below.

Except for the Installment Purchase Payments received (including any State Aid to Education that may be intercepted by the State Comptroller as described herein) and any funds, investments and other amounts held under the Indenture, the Issuer has pledged no other assets to the payment of the Bonds. It is anticipated that the Issuer's sole source of payment for the Bonds will be derived from Installment Purchase Payments made by the YCSD and the City under the Installment Sale Agreement. The obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement is deemed executory only to the extent of State Aid to Education being (i) annually appropriated by the State and available therefor, and (ii) appropriated by the City Council for such purpose after submission by the YCSD of its anticipated annual expenditures to the Mayor of the City, and approval by the YCSD of payment thereof after appropriation by the City Council. In the event State Aid to Education is not so appropriated by the State, neither the YCSD nor the City will be obligated to pay any amounts due under the Installment Sale Agreement; provided, however, the failure of the YCSD or the City for any reason (including a failure by the YCSD to include Installment Purchase Payments in its budget, a failure by the City to approve a budget for the YCSD providing for such Installment Purchase Payments, a failure by the City to appropriate such payments, or a failure by the State to appropriate State Aid to Education) to make an Installment Purchase Payment under any Installment Sale Agreement is nevertheless deemed a failure to make a payment thereunder for purposes of such Installment Sale Agreement, the Yonkers Schools Act, and the State Aid to Education intercept implementing provisions of the Indenture. In the event State Aid to Education is appropriated by the State and (A) the City Council does not appropriate such State Aid to Education to make Installment Purchase Payments under the Installment Sale Agreement (including for the reason that the YCSD has failed to submit its anticipated annual expenditures to the Mayor of the City), or (B) the YCSD fails to approve the payment of any Installment Purchase Payment after appropriation thereof by the City Council, the Trustee on behalf of the Issuer shall direct the State Comptroller to intercept State Aid to Education payable to the City or the YCSD for the payment of such Installment Purchase Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS—State Aid Intercept." Subject to the foregoing limitation, the obligation of the YCSD and the City to pay Installment Purchase Payments under the Installment Sale Agreement and to perform their obligations thereunder shall be absolute and unconditional, and such Installment Purchase Payments and other amounts shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction they might otherwise have against the Issuer, the Trustee, any purchaser of the Series 2022 Bonds, or any other person, and whether or not any or all of the New Community School Facilities are used or occupied by the City, the JSCB or the YCSD or are available for use or occupancy by the City, the JSCB or the YCSD.

In order to protect the priority of the rights of the Trustee to State Aid to Education under the Yonkers Schools Act, the YCSD and the City have covenanted and agreed in the Installment Sale Agreement that they will not enter into any agreement, indenture or other instrument, including any Facilities Agreement in connection with a Series of Project Bonds, which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid to Education under the Yonkers Schools Act than the pledge effected pursuant to the Indenture. The foregoing covenant shall not be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid to Education on a parity with the pledge effected by the Issuer under the Indenture or (z) to require that any

Series of Project Bonds issued under any Other Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture or that any payment dates under a Facilities Agreement be the same as provided for in the Installment Sale Agreement.

In order to provide for the obligation to make payments under the Installment Sale Agreement, the YCSD has agreed that: (i) the proposed expense budget for each ensuing fiscal year of the YCSD, commencing July 1, 2022, shall include, either as a separate item of expenditure or as an expenditure within a budget item, the amount of Installment Purchase Payments and Additional Payments (as defined in the Installment Sale Agreement) due under the Installment Sale Agreement to come due in such next fiscal year; and (ii) it shall approve payment of such Installment Purchase Payments and Additional Payments after appropriation by the City Council thereof. The City agrees that it shall approve a budget for the YCSD containing such items of expenditure and appropriate sufficient funds for each fiscal year commencing with the fiscal year ending June 30, 2023 to make the Installment Purchase Payments and Additional Payments to come due in such next fiscal year, *provided, however*, that any such appropriation (y) of Installment Purchase Payments shall only be payable by the City and the YCSD to the extent of State Aid to Education, and (z) of Additional Payments shall only be payable by the City and the YCSD to the extent contained in the YCSD budget approved and appropriated by the City Council. See “BONDHOLDERS’ RISKS — Appropriation of Installment Purchase Payments by the City and the YCSD” and “Appropriation of and Possible Changes to State Aid.”

Upon the occurrence of an “Event of Nonappropriation” (i.e., the failure by the City or the YCSD to pay or cause to be paid, when due, the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement, as a result of: (i) the failure by the YCSD to include in the annual YCSD budget submitted to the Mayor of the City line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement or to approve such payments after appropriation by the City therefor; (ii) the failure by the City Council to approve and appropriate the annual YCSD budget containing line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement and thereby appropriate funds for the payment thereof; or (iii) the failure by the YCSD to approve payment of Installment Purchase Payments or Additional Payments after appropriation by the City Council therefor) or an “event of default” under the Installment Sale Agreement, there is no acceleration of the obligation of the YCSD and the City to pay all future Installment Purchase Payments under the Installment Sale Agreement.

State Aid to Education

General

The YCSD receives substantial financial assistance from the State. For the 2022-23 fiscal year, the YCSD’s general fund budget includes approximately 58.1% of its estimated revenues in the form of State Aid to Education, including other financing sources. State Aid to Education for public schools comes primarily from the State’s general fund wherein the major revenue source is the State income and sales taxes. The balance of State Aid to Education for public schools comes from a special revenue fund account supported by lottery receipts.

The following table sets forth the total amount of State Aid to Education received by the YCSD General Fund for fiscal years ended June 30, 2007 through 2022 (unaudited) and the amount included in the budget for the 2022-23 fiscal year and the adopted State Budget for the 2022-23 fiscal year:

State Aid to Education For Fiscal Years 2007-2022

Fiscal Year Ended June 30	State Aid to Education Received ⁽¹⁾
2007	\$143,671,038
2008	226,102,031
2009	241,912,125
2010	233,684,871
2011	234,623,990
2012	249,395,366
2013	233,929,722
2014	240,591,730
2015	286,122,402
2016	289,925,696
2017	303,052,043
2018	300,326,079
2019	322,208,427
2020	338,670,212
2021	321,139,369
2022 (Unaudited)	354,451,643
2023 (Budget)	378,910,975

Source: YCSD Officials

(1) Excludes School Tax Relief (“STAR”) aid.

The aggregate of estimated maximum annual Installment Purchase Payments with respect to the outstanding Series 2021 Bonds and the Series 2022 Bonds is \$4,600,000*.

The amount of State Aid to Education estimated to be received by the YCSD in the fiscal year ending June 30, 2022 for the General Fund is \$354.5 million and has averaged approximately \$320.4 million over the five fiscal years ended June 30, 2022 (unaudited).

No assurance can be given that the amount of State Aid to Education will continue or be available in these amounts in future fiscal years. (See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment” and APPENDIX A — “Yonkers City School District Financial Statements for Fiscal Year Ended June 30, 2021.”)

Beginning with the 2007-08 fiscal year, the majority of State Aid to Education received by the YCSD has been “Foundation Aid.” Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State Aid to Education determined in accordance with an application submitted to SED, which incorporates required data concerning district enrollment, attendance and approved expenditures. As a result of poor economic conditions then affecting the State, no increase in Foundation Aid was received by the YCSD in fiscal years 2009-10, 2010-11, or 2011-12. The YCSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Budget and has since received increases each year until 2021 when it was reduced by \$10.4 million with an equal amount of Federal Funding under the Cares Act (included in State Aid Runs) utilized to offset this decline. FY22-23 Foundation Aid increased by \$12.7 million in the Enacted State Aid Run year over year comparison). Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level. In addition, no assurance can be given that other categories of State Aid to Education will continue at current levels or will

* Preliminary, subject to change.

increase in the future. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. In addition, within Foundation Aid there are stipulations that the YCSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement, as outlined in the Contract for Excellence (“CFE”). For fiscal years 2017-18, 2018-19, 2019-20, 2010-21 and 2021-22, the total CFE set-aside has been \$11.6 million for each fiscal year. The CFE set-aside amount is expected to remain at \$11.6 million for 2022-23.

In addition to the CFE set-aside, beginning with the 2016-17 fiscal year, the Foundation Aid increase included a set aside for Community Schools Aid. Community Schools Aid must be used to support creating or expanding the community school model which can include funding programs that provide health, mental health and nutritional services to students and their families. The Community Schools Aid set-aside amounts were \$5.4 million in 2017-18, \$6.5 million in 2018-19, \$7.6 million in 2019-20, \$7.6 million in 2020-21 and \$7.6 million in 2021-22. The Community Schools Aid set aside for 2022-23 is anticipated to be \$11.6 million. Such set-aside contains spending requirements and restrictions on how these funds will be expended.

Another State Aid to Education category, Charter School Transitional Aid, was established in the 2007-08 State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the YCSD. This aid continues on a rolling basis so long as charter school enrollment continues to increase. In addition to Charter School Transitional Aid, beginning with FY15-16, the State established another aid category called Charter School Supplemental Basic Tuition Aid. As amended in 2017-18, YCSD receives an apportionment equal to the amount of the Supplemental Basic Tuition paid to charter schools each year as aid in the subsequent year. The following table indicates the amount of Charter School Transitional Aid and Charter School Supplemental Basic Tuition Aid received by the YCSD in each of the five fiscal years June 30, 2018 through 2022, and as budgeted for 2023.

<u>Fiscal Year</u>	<u>Charter School Transitional Aid</u>	<u>Charter School Supplemental Basic Tuition Aid</u>
2018	\$ 917,853	\$ 54,330
2019	600,919	377,614
2020	1,051,911	434,133
2021	2,582,207	474,686
2022	1,820,446	505,352
2023 (Budget)	3,217,091	505,352

The YCSD receives State Aid to Education in multiple installments throughout its fiscal year based on a formula established by SED. Cash distributions of this aid are net of the YCSD’s required contributions to the Teachers’ Retirement System, which are generally withheld for distributions in the months of September, October and November.

The State’s 2022-23 enacted budget links payment of school aid increases for 2022-23 to submission of Budget Transparency Reporting. The amount of total State Aid to Education budgeted to be received by the YCSD in fiscal year ending June 30, 2023 for the Consolidated Fund is \$393.1 million, which is an increase of \$20.8 million, or 5.6%, compared to the amount budgeted for the 2021-22 fiscal year.

Payment of State Aid to the YCSD may be withheld due to the failure of the City or the Board of Education to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. In addition, the State may withhold aid if the YCSD fails to meet the deadline for submitting its independent audit report to the State Education Department. Pursuant to Section 2116-a of the Education Law, the YCSD must file such report no later than January 1st, however, the State has granted school districts a 30-day “grace period” before aid is withheld. For example, the YCSD filed its report for FY20-21 within the allowable “grace period”. The City and the YCSD believe that they are in material compliance with all other requirements and have made the necessary debt service appropriations.

Notwithstanding budgetary projections, any future financial difficulties of the State could result in reduced payments of State Aid to municipalities and school districts in the State, including the YCSD. Past State financial and cash flow difficulties, including the COVID-19 pandemic, have resulted in delays in payment of State Aid to school districts, including the YCSD. In addition, delays in adoption of the State budget could result in delayed payment of State Aid to Education to school districts in the State, including the YCSD. See “BONDHOLDERS RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

As stated below under “State Aid Intercept,” in the event the YCSD and the City fail to make an Installment Purchase Payment under the Installment Sale Agreement, the Yonkers Schools Act and the Indenture provide that upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer stating the amount of such failed payment, the State Comptroller shall withhold any State Aid to Education from the YCSD and the City payable thereto to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The Yonkers Schools Act provides that (x) any amount of State Aid to Education paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education, and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount. No assurance can be given that present State Aid to Education levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State Aid to Education could have a material adverse effect upon the YCSD, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. If in any year the State fails to adopt its budget in a timely manner, municipalities and school districts in the State, including the City and the YCSD, may be adversely affected by a delay in the payment of State Aid to Education.

State Building Aid

A portion of State Aid to Education received each year by the YCSD constitutes state building aid (such portion being “State Building Aid”). State Building Aid is available for certain approved capital improvements to school buildings housing elementary and/or secondary students, and for school bus garages. A project is not eligible for aid unless the construction costs of the project are equal to or exceed \$10,000, excluding incidental costs. Consistent with Section 3602, subdivision 6 of the Education Law, construction may include the construction of new buildings or additions, alterations and the reconstruction of existing facilities.

The purpose of State Building Aid is to assure that each school district provides suitable and adequate facilities to accommodate its students and programs. To this end, new facilities, new buildings, additions and major alterations must meet specific standards pertaining to the type, size and number of

teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations, and reconstruction of existing facilities must meet building code requirements.

The Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by the YCSD. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education.

Eligibility for new construction is determined through an assessment of information contained in the YCSD's long-range plan, and includes educational need, a comparison of pupil enrollment projections, and the rated pupil capacity of existing buildings. In the case of school buildings, State Building Aid is a function of the pupil capacity assigned to the capital construction project.

State Building Aid fluctuates from year to year based on a number of factors, including the ratio of the City's wealth to the State's average wealth. Currently, YCSD State Building Aid Ratio is at 73.4% of the allowable aided costs for new projects with the 10% incentive and the High Needs Supplement included, which YCSD officials anticipate will be the building aid ratio for the New Community School Project. The Yonkers Schools Act allows the New Community School Project to have a multi-year cost allowance. The estimated aided cost allowance for the New Community School Project is 93.8%.

The State is not obligated to continue to make State Building Aid payments. No assurance can be given that State Building Aid will continue to be received by the YCSD or the City or, if received, will be in amounts comparable to the amounts of State Building Aid received by the YCSD or the City in the past. State budgetary restrictions could eliminate or substantially reduce State Building Aid in the future. See "BONDHOLDERS' RISKS — The State's Financial Condition, Reduced State Aid, Delayed Payment."

Pursuant to Chapter 383 of the Laws of 2001 ("*Chapter 383*"), certain provisions of the Education Law have been amended to impose an "assumed amortization schedule" on certain debt incurred by the City for school construction purposes and to thereby revise the manner in which State Building Aid is to be paid to the YCSD with respect to school debt in fiscal years commencing July 1, 2002. Chapter 383 requires that the State Education Department reset the interest rate used to calculate the "assumed amortization schedule" at least once every 10 years. The YCSD has applied for a waiver from the interest rate reset for the 2021-22 fiscal year and for the 2022-23 fiscal year.

Subject to certain limited exceptions, assumed amortization for capital construction projects approved by the Commissioner of SED on and after July 1, 2011 will begin on the later of 18 months after SED approval or when the final cost report and certificate of substantial completion have been received by SED.

New York State Budget Process

The following discussion is included because all payments under the Installment Sale Agreement will be derived from State Aid to Education, which is subject to annual appropriation by the State Legislature.

The State's budget process is based on an executive budget system under which the Governor is required by the State Constitution to seek and coordinate requests from agencies of the State government, develop a "complete" plan of proposed expenditures and the revenues available to support them (a "balanced budget"), and submit a budget to the State Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor is also required by the State Finance Law to manage the budget through administrative actions during the fiscal year.

The State's fiscal year begins April 1 and ends on March 31. However, the actual "budget cycle," representing the time between early budget preparation and last-minute disbursements, begins some nine months earlier and lasts approximately 27 months, until the expiration of the State Comptroller's authority to honor vouchers against the previous fiscal year's appropriations.

Agency Budget Preparation (June–September/October)

The formal budget cycle begins when the Budget Director (the "**Budget Director**") of the Division of the Budget of the State (the "**Division of the Budget**") issues a policy memorandum — the "call letter" — to agency heads. The call letter outlines, in general terms, the Governor's priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget.

Division of the Budget Review (September/October–December)

Agencies typically submit their budget requests to the Division of the Budget in September or October, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of agencies for which they have responsibility. In November, the Budget Director conducts a series of constitutionally authorized "formal" budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor's office an "on-the-record" opportunity to raise critical questions on programs, policies and priorities.

Through late November, the Division of the Budget's examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Budget Director. The staff also prepares the appropriation bills and any other legislation required to carry out these recommendations. By early December, the Division of the Budget will normally have completed its recommendations on both revenues and expenditures, and presented them to the Governor and the Governor's staff. Budget staff then prepares the tables and the narrative that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

The Governor's Decisions (November–January)

The Governor and staff, who are also preparing the annual message to the State Legislature (the "State-of-the-State" message which the Governor presents to the State Legislature when it convenes in January), are conversant with the budget throughout its development.

Legislative Action (January–March)

The Governor typically submits the Executive Budget to the Legislature in mid-January or following a gubernatorial election year, by February 1, along with the related appropriation, revenue and other budget bills concerning State operations, aid to localities, capital projects and debt service. The State's Five-Year Capital and Financing Plan is also submitted with the Executive Budget. Within 10 days, the Division of the Budget provides the State Legislature with additional financial information supporting the Executive Budget. A three-year financial projection is submitted no later than 30 days following submission of the Executive Budget.

The Legislature, primarily through its fiscal committees - Senate Finance and Assembly Ways and Means - then analyzes the Executive spending proposals and revenue estimates, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other

State agencies. Following that review, the State Legislature acts on the appropriation bill submitted with the Executive Budget to reflect its decisions.

The appropriation bills, except for those items which were added by the State Legislature and the appropriation for the State Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the State Legislature and Judiciary and may use the line item veto to disapprove items added by the State Legislature. As provided in the State Constitution, the State Legislature may override the Governor's veto by the vote of two-thirds of the members of each house. The passage of the appropriation bills provides a legal foundation for the disbursement of funds during the new fiscal year.

Budget Execution (March)

At this point the budget process enters a new phase - budget execution. As a first step, the Division of the Budget approves "certificates of allocation" informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored.

In addition, the Division of the Budget keeps a close watch throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the State Legislature, as required by law, in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year.

Possible Delays in Budget Enactment

While the 2016-17, 2018-19 and 2019-20 Enacted State Budgets were timely adopted, the 2017-18 Enacted State Budget was adopted 8 days late, the 2020-21 Enacted State Budget was adopted 1 day late, and the 2021-22 and 2022-23 Enacted State Budgets were adopted 7 days late, and, in the past, adoption of State budgets has been significantly delayed beyond the time frames outlined above. Any delay in adoption of the State budget could delay the payment of State Aid to Education to municipalities and school districts in the State, including the YCSD and the City, which could, in turn, adversely affect the ability of the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement. See "BONDHOLDERS' RISKS — The State's Financial Condition, Reduced State Aid, Delayed Payment."

State Aid Intercept

Statutory provisions currently exist or may hereafter be enacted which permit State Aid to Education otherwise payable to the YCSD or the City to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, other than as provided in the State Aid Depository Agreement with respect to Project Bonds, there is no stated priority for the various multiple state aid diversion and intercept claims. See "BONDHOLDERS' RISKS — Competing Claims to State Aid."

In the event the YCSD or the City fail to make an Installment Purchase Payment under the Installment Sale Agreement as a result of an Event of Nonappropriation or otherwise pursuant to the Indenture, the Issuer has appointed the Trustee as its agent and the Issuer (acting through the Trustee) shall, in accordance with the Yonkers Schools Act and the Indenture, certify such nonpayment to the State Comptroller. Such certification shall specify the amount by which such Installment Purchase Payment shall have been deficient. The Yonkers Schools Act and the Indenture provide that the State Comptroller shall, upon receipt of such certification, withhold from the YCSD and the City any State Aid to Education otherwise payable to the YCSD or the City to the extent of the amount so stated in such certification as not

being made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld based upon the Trustee's certification. Such amounts will be applied by the Trustee to the payment of Installment Purchase Payments under the Installment Sale Agreement in the priority set forth below under "The Indenture" herein. It is further provided in the Yonkers Schools Act that (x) any amount of State Aid to Education so paid by the State Comptroller shall not obligate the State to make, nor entitle the YCSD or the City to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount.

The Indenture

Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially all of its right, title and interest in and to the State Aid to Education and the Installment Sale Agreement (excluding the Issuer's Reserved Rights), including all rights to receive Installment Purchase Payments to pay the principal of and interest on the Series 2022 Bonds (and the Series 2021 Bonds) as the same become due, all to be made by the YCSD or the City pursuant to the Installment Sale Agreement and the State Aid Depository Agreement, and all deemed executory only to the extent of State Aid to Education, as provided above under the subheading "The Installment Sale Agreement."

A portion of the Series 2022 Bond proceeds shall be deposited in the Project Fund held under the Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement, to the extent the same have been paid by or on behalf of the City, the YCSD, the JSCB or the Issuer, of Project Costs for the New Community School Project. Pursuant to the Indenture, the Trustee is authorized to disburse from the Project Fund the amount required for the payment of Project Costs for the New Community School Project and is directed to issue its checks (or make wire transfers if requested by the City) for each disbursement from the Project Fund, upon a requisition submitted to the Trustee, signed by an authorized representative of the JSCB. In the event the City shall be required to or shall elect to cause the Series 2022 Bonds to be redeemed in whole pursuant to the Installment Sale Agreement, the balance in the Project Fund shall be deposited in the Bond Fund for application to the redemption of the Series 2022 Bonds.

Notwithstanding the occurrence of an Event of Default under the Indenture, in no event shall the Series 2022 Bonds be accelerated or declared due and payable in advance of their final stated maturity.

All State Aid to Education received by the Trustee pursuant to the State Aid to Education intercept shall be applied in accordance with the Indenture, with respect to the Bonds on a *pari passu* basis, in the following order of priority:

first, to deposit in the Interest Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

second, to deposit in the Principal Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

third, to deposit in the Redemption Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

fourth, to satisfy any indemnification obligations of the YCSD under the Installment Sale Agreement,

fifth, to satisfy any liability insurance obligations of the JSCB or the YCSD under the Installment Sale Agreement, and

sixth, to satisfy any other obligations of the JSCB, the YCSD or the City under the Installment Sale Agreement.

In addition to the Series 2022 Bonds (and the Series 2021 Bonds), it is also anticipated that future Series of Project Bonds will be ratably secured by the pledge of State Aid to Education and will be separately secured and issued pursuant to one or more Other Indentures. In order to protect the pledge of State Aid to Education by the Issuer to the Trustee pursuant to the Indenture, except with respect to the issuance of Project Bonds under any Other Indenture, the Issuer covenants in the Indenture not to create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Pledge and Assignment, and the Installment Sale Agreement. The Issuer further covenants and agrees pursuant to the Indenture that it shall not enter into any agreement, indenture or other instrument, including any Other Indenture or Facilities Agreement, in connection with the issuance of a Series of Project Bonds which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid to Education under the Yonkers Schools Act than the pledge effected pursuant to the Indenture; *provided, however*, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid to Education on a parity with the pledge effected under the Indenture or (z) to require that any Series of Project Bonds issued under any other Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds issued under the Indenture, or that any payment dates under a Facilities Agreement be the same as those under the Installment Sale Agreement.

Debt Service Reserve Fund Not Applicable to the Series 2022 Bonds

No debt service reserve fund is being established for the Series 2022 Bonds.

Additional Project Bonds

So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Project Bonds may be issued, authenticated and delivered under the Indenture for the purpose of: (i) financing the New Community School Project and other Facilities in connection with the Program; (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain; (iii) providing extensions, additions, rehabilitation or recreational facilities to one or more Facilities, provided such additions, rehabilitation or recreational facilities constitute a “project” within the meaning of the Act and the Yonkers Schools Act; or (iv) refunding Outstanding Bonds. Such series of Additional Project Bonds shall be payable from Installment Purchase Payments under the Installment Sale Agreement. Prior to the issuance of a Series of Additional Project Bonds and the execution of a Supplemental Indenture in connection therewith (except in the case of Refunding Bonds), the City, the YCSD and the Issuer shall enter into a license agreement or lease agreement to grant an interest in the Facilities to be financed to the Issuer or an amendment to the License Agreement, as applicable, and the Issuer, the JSCB, the YCSD and the City shall enter into an amendment to the Installment Sale Agreement to subject the Facilities to the Installment Sale Agreement and to provide, among other things, that the Installment Purchase Payments payable under the Installment Sale Agreement shall be increased and computed so as to amortize in full the principal of and interest on the bonds outstanding under the Indenture including such Series of Additional Project Bonds. In addition, the YCSD, the City, the JSCB and the Issuer shall enter into an amendment to the Tax Compliance Documents.

State Aid Depository Agreement

To facilitate the collection of State Aid and payment of Installment Purchase Payments under the Installment Sale Agreement, the Depository, the City and the YCSD have entered into the State Aid Depository Agreement. In accordance with the State Aid Depository Agreement, the City and the YCSD have instructed the State Comptroller to pay all State Aid to Education otherwise payable to YCSD or the City directly to the State Aid Depository Fund held by the Depository under the State Aid Depository Agreement. The State Aid Depository Agreement provides for the payment of State Aid to the Trustee and any other Trustee of Project Bonds on a Ratable Basis pursuant to which Project Bonds are outstanding.

While any Bonds are Outstanding, on or before July 15 of each Fiscal Year, the City and the YCSD are required to prepare and deliver to the Depository and the Trustee a certificate (the “**State Aid Payment Certificate**”) setting forth: (i) a statement that the YCSD has budgeted and directed payment from appropriated funds of, and the City has appropriated, an amount of State Aid to Education necessary to fund the Aggregate Facilities Payment Obligations (as defined in APPENDIX B — “Certain Definitions”) of the YCSD and the City for such Fiscal Year; (ii) the total amount of State Aid to Education expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period (as such terms are defined in Appendix B hereof); and (iii) a statement, developed with the assistance of the Municipal Advisor to the YCSD or a nationally recognized municipal securities underwriting firm, setting forth the long-term debt rating of each provider of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch Ratings, Moody’s and S&P. However, in the event that the City has not appropriated or the YCSD has not budgeted or directed payment from appropriated funds for such amount of State Aid to Education in their respective adopted budgets for such Fiscal Year, the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect and shall not include any information regarding the collection of State Aid to Education during the Collection Period. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if circumstances warrant, the City and the YCSD shall from time to time prepare and deliver to the Depository a revised State Aid Payment Certificate setting forth, as appropriate, (i) a statement that the City has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State Aid to Education necessary to fund the Aggregate Facilities Payment Obligations of the YCSD and the City for such Fiscal Year; or (ii) a revised total amount of State Aid to Education expected to be received during the next Collection Period for such Fiscal Year and, in either case, if applicable, Collection Percentages or revised Collection Percentages applicable to the remainder of such Collection Period.

On or before November 10 of each Fiscal Year, the Trustee shall, in accordance with the provisions of the Indenture, prepare and deliver to the City, the YCSD and the Depository a certificate (the “**Base Facilities Agreement Payment Certificate**”) setting forth the Net Base Facilities Agreement Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

During each Collection Period, if the Depository has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository shall, immediately upon receipt of any payment of State Aid to Education, withdraw such State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) *first*, to each Trustee of Project Bonds for deposit in the Bond Fund established pursuant to the related bond indenture until the total amount of such withdrawals during each month of such Collection Period shall equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Payment due the immediately following April 1 as set forth in the

Base Facilities Payment Certificate most recently received by the Depository, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited; and

(ii) *second*, thereafter during each month of such Collection Period, to any Trustee of Project Bonds, for deposit in the Debt Service Reserve Fund established pursuant to the related Indenture, until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository; and

(iii) *third*, thereafter during each month of such Collection Period, to the General Fund of the YCSD.

In the event that any amount on deposit in the State Aid Depository Fund in any month of the Collection Period, at any time, shall be less than the amount required to be paid to a Trustee of Project Bonds under clause (i) or (ii) above, the Depository shall make payment to each such Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, "Ratable Basis" shall be first computed based on amounts payable to each such Trustee under clause (i) above if there is not enough in the State Aid Depository Fund to pay to each such Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been paid in full, then computed based on the amount payable to each such Trustee under clause (ii).

Thereafter from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid to Education, the Depository shall withdraw such State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund of the YCSD.

If the Depository has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository, both during and after such Collection Period until the next Collection Period, shall withdraw any State Aid to Education from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund of the YCSD.

Notwithstanding the foregoing, if the Depository receives written instructions from the Commissioner of Finance with an accompanying monthly payment schedule from the Commissioner of Finance indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid to Education must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule for the RAN Repayment Requirement, then each month the Depository shall immediately withdraw from the State Aid Depository Fund all State Aid to Education that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Depository Agreement, to such special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid.

Although the State Aid Depository Agreement requires an immediate transfer of State Aid to Education from the State Aid Depository Fund to the Bond Fund established under the Indenture, during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indenture and are not pledged as security for the payment of the Series 2022 Bonds (or the Series 2021

Bonds) until such amounts have been transferred by the Depository to the Trustee and deposited in the Bond Fund.

Nothing in the State Aid Depository Agreement shall prevent the City, the Depository and the YCSD from effecting any change by amendment to the State Aid Depository Agreement modifying the procedures for the collection, deposit and disbursement of State Aid to Education, without the consent of any other party; *provided, however*, that: (i) prior to making any such change, the YCSD shall notify any rating agency then rating the Series 2022 Bonds and any other Series of Project Bonds (including the Series 2021 Bonds) of such change and that prior to any such change there shall be delivered to the Depository a rating confirmation of each such rating agency that the then current unenhanced rating of the Series 2022 Bonds and any other Series of Project Bonds Outstanding (including the Series 2021 Bonds) will not be withdrawn or reduced as a result of such change and (ii) the YCSD will not change or alter the procedure for the collection and deposit of State Aid to Education which in any manner would result in insufficient State Aid to Education being available to timely pay Facilities Payment Obligations in accordance with the terms of the State Aid Depository Agreement.

On a monthly basis beginning on December 1 through the next succeeding March 31 the Depository will, in accordance with the State Aid Depository Agreement, transfer a portion of State Aid to Education to the Trustee sufficient to pay the annual Installment Purchase Payment under the Installment Sale Agreement due on the next succeeding April 1. In the event payments made by the Depository to the Trustee during the preceding December 1 to March 31 are not sufficient to pay the annual Installment Purchase Payment under the Installment Sale Agreement due on April 1, the Trustee will immediately certify such deficiency to the State Comptroller. The State Comptroller is then required to pay such amounts to the Trustee in accordance with the State Aid to Education intercept provisions of the Indenture and the Yonkers Schools Act in order to provide payment of debt service on the Series 2022 Bonds (and the Series 2021 Bonds) on the next succeeding May 1 and November 1. Installment Purchase Payments due under the Installment Sale Agreement will equal principal and interest due on the Series 2022 Bonds (and the Series 2021 Bonds) and are payable on each April 1.

Limited Obligations of the Issuer

THE SERIES 2022 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID TO EDUCATION PAYABLE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURE. IN THE EVENT THE YCSD OR THE CITY FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER THE INSTALLMENT SALE AGREEMENT, THE YONKERS SCHOOLS ACT AND THE INDENTURE PROVIDE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID TO EDUCATION FROM THE YCSD AND THE CITY PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE YCSD OR THE CITY AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY IS PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT. THE OBLIGATIONS OF THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE YCSD OR THE CITY CONSTITUTE A CURRENT EXPENSE OF THE CITY AND THE YCSD FOR SUCH FISCAL YEAR AND SHALL NOT

CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE YCSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE. THE ONLY SOURCES OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2022 BONDS ARE INSTALLMENT PURCHASE PAYMENTS MADE BY THE YCSD AND THE CITY UNDER THE INSTALLMENT SALE AGREEMENT TO THE EXTENT OF STATE AID TO EDUCATION APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR AND APPROPRIATED BY THE CITY COUNCIL FOR SUCH PURPOSE AFTER SUBMISSION BY THE YCSD OF ITS ANTICIPATED ANNUAL EXPENDITURES TO THE MAYOR OF THE CITY, AND APPROVAL BY THE YCSD OF PAYMENT THEREOF AFTER APPROPRIATION BY THE CITY COUNCIL, THE PLEDGE OF CERTAIN FUNDS UNDER THE INDENTURE, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID TO EDUCATION PAYABLE TO THE CITY OR THE YCSD TO THE EXTENT OF ANY INSTALLMENT PURCHASE PAYMENT DEFICIENCY.

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ANNUAL INSTALLMENT PURCHASE PAYMENTS

The following table sets forth the annual Installment Purchase Payments due on April 1 of each year pursuant to the Installment Sale Agreement with respect to the Series 2022 Bonds and the Series 2021 Bonds.

Payment Date due April ⁽¹⁾	Series 2021 Bonds Installment Purchase Payments	Series 2022 Bonds Installment Purchase Payments	Total Installment Purchase Payments
2023	\$1,057,550.00		
2024	1,501,175.00		
2025	1,502,800.00		
2026	1,498,300.00		
2027	1,502,550.00		
2028	1,500,425.00		
2029	1,501,925.00		
2030	1,501,925.00		
2031	1,500,425.00		
2032	1,502,300.00		
2033	1,497,550.00		
2034	1,499,900.00		
2035	1,499,500.00		
2036	1,497,900.00		
2037	1,500,000.00		
2038	1,500,700.00		
2039	1,500,000.00		
2040	1,497,900.00		
2041	1,499,300.00		
2042	1,499,100.00		
2043	1,502,200.00		
2044	1,498,600.00		
2045	1,498,300.00		
2046	1,501,100.00		
2047	1,501,900.00		
2048	1,500,700.00		
2049	1,497,500.00		
2050	1,502,100.00		
2051	1,499,400.00		
TOTAL	\$43,063,025.00		

⁽¹⁾ Pursuant to the Installment Sale Agreement, an amount equal to the total principal and interest due on the Bonds for May 1 and November 1 of each calendar year is due in full on the preceding April 1 for such calendar year.

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BONDHOLDERS' RISKS

The discussion herein of risks to holders of the Series 2022 Bonds is not intended as dispositive, comprehensive or definitive, but rather is intended only to summarize certain matters which could affect payment on the Series 2022 Bonds. However, holders of the Series 2022 Bonds should be aware that these matters and other potential risks and factors could materially adversely affect the receipt by the holders of payments on the Series 2022 Bonds. Other sections of this Official Statement should be referred to for a more detailed description of risks described in this Section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal corporate trust office of the Trustee.

The State's Financial Condition, Reduced State Aid, Delayed Payment

The amount of State Aid to Education paid to the YCSD is dependent in large measure upon the financial condition of the State. The State regularly publishes its Annual Information Statement relating to its financial condition, as well as quarterly updates and supplements thereto.

The State's 2019-20 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of more than \$1 billion in school aid spending from the 2018-19 school year. Due to significant State revenue loss as a result of the impact of the COVID-19 pandemic, State aid in the State's 2020-21 Enacted Budget was 3.7 percent lower than in the State's 2019-20 Enacted Budget. The State's 2020-21 Enacted Budget also authorized the State's Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-21 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State's 2020-21 Enacted Budget, an annual increase of approximately \$100 million or 0.4 percent from the 2019-20 Enacted Budget. On February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds prior to June 30, 2021.

The State's 2021-22 Enacted Budget provided \$29.5 billion in State funding to school districts for the 2021-22 school year, the highest level of State aid ever at that time. This represented an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and included a \$1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase was targeted to high-need school districts.

The State's 2021-22 Enacted Budget also programmed \$13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, was designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2021-22 Enacted Budget allocated \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State's 2021-22 Enacted Budget used \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The State's 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and includes a \$1.5 billion or 7.7 percent Foundation Aid increase.

The State's 2022-23 Enacted Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist public schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2022-23 Enacted Budget was adopted on April 9, 2022. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

As described above, the State's 2021-22 Enacted Budget included, and the State's 2022-23 Enacted Budget includes, significant amounts of federal funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Current federal aid projections, and the assumptions on which they rely, are subject to revision. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules. There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State.

While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State Aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State Aid appropriated and apportioned to the YCSD can be paid only if the State has such monies available for such payment. Recent Federal stimulus aid pursuant to the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan of 2021 (ARP), include maintenance of effort provisions for states receiving these funds on behalf of school districts, during state fiscal years 2021-22 and 2022-23. The maintenance of effort calculation is based on the state's overall spending. According to the adopted 2022-23 New York State Budget, the YCSD's total State Aid in the Enacted State Aid Runs is expected to grow approximately \$25.5 million or 7.61%, while the largest component of YCSD State Aid, Foundation Aid, is expected to grow \$12.7 million

or 5.44% from \$233.9 million to \$246.6 million in 2022-23. Further, State legislation has been passed that is expected to fully fund Foundation Aid by 2023-24, which would result in a projected 4.0% increase in 2023-24 Foundation Aid above budgeted 2022-23 amounts.

The total amount of State Aid for all funds is comprised of Foundation Aid and a number of other State Aid categories. Foundation Aid is the largest component of State Aid for the YCSD. The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. In addition, within Foundation Aid there are stipulations that the YCSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the CFE and the Community Schools set-aside that was established in 2016-17. Future reductions in Foundation Aid or other aid categories of State Aid to the YCSD could adversely affect the financial condition of the YCSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS — State Aid to Education.”

Principal of and interest on Project Bonds, including the Series 2022 Bonds, will be paid from State Aid to Education payable through (i) Installment Purchase Payments made by the YCSD or the City under the Installment Sale Agreement or (ii) from the intercept of State Aid to Education by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid to Education being made each year by the State to the YCSD. No assurance can be given that present State Aid to Education levels will be maintained in the future. The Yonkers Schools Act provides that (x) any amount of State Aid to Education paid by the State Comptroller pursuant to the State Aid to Education intercept provisions of the Yonkers Schools Act shall not obligate the State to make, nor entitle the City or the YCSD to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount. Financial difficulties of the State could result in reduced payments of State Aid to Education to municipalities and school districts in the State (including the City and the YCSD) in future fiscal years. Given the City’s and the YCSD’s dependence on State Aid to Education (the only source of funds to make the installment purchase payments payable by the City or the YCSD pursuant to the Facilities Agreements, including the Installment Sale Agreement), substantial reductions in the payment of State Aid to Education could adversely impact the City’s or the YCSD’s ability to pay, or timely pay, Installment Purchase Payments under the Facilities Agreements, including the Installment Sale Agreement, and accordingly, the payment of debt service on Project Bonds, including the Series 2022 Bonds.

State financial difficulties may result in protracted and delayed State budget negotiations which may result in delays in the adoption of the State budget. Delays in adoption of the State budget could result in delayed payment of State Aid to Education to school districts in the State, including the YCSD. During the State’s 2011-12 to 2019-20 fiscal years, State Aid to Education to school districts was paid in a timely manner; however, during the State’s 2009-10 and 2020-21 fiscal years, State budgeting restrictions resulted in delayed payments of State Aid to Education to school districts in the State. In the past, adoption of a State budget has been delayed as long as four and a half months. There can be no assurance that (y) the State Legislature will continue to adopt State budgets in a timely fashion, or that (z) in the absence of such budget adoption, that the State Legislature will provide on a continuing resolution or other basis State Aid to Education to the YCSD on an interim basis.

Any significant reductions in the payment of State Aid could adversely affect the financial condition of school districts in the State. In addition, delay in the receipt of State Aid to Education by the YCSD could have a material adverse financial impact on the YCSD and result in a delay in the application

of such State Aid to Education to the payment of Installment Purchase Payments under the Facilities Agreements, including the Installment Sale Agreement.

Impact of COVID-19

COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. Any future impact of COVID-19 on the YCSD's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, as well as with regard to any impact on the State's financial condition or what future additional actions may be taken by governmental authorities to contain or mitigate its impact. For a discussion of the impact of COVID-19 on the YCSD, see "DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD—Impact of COVID-19 on the YCSD."

Appropriation of and Possible Changes to State Aid to Education

Statutory provisions currently exist or may hereafter be enacted which permit State Aid to Education otherwise payable to the YCSD and/or the City to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Depository Agreement with respect to Project Bonds, there is no stated priority for the various multiple State Aid to Education diversion and intercept claims.

Principal of and interest on the Series 2022 Bonds will be paid from State Aid to Education payable through (i) Installment Purchase Payments made by the YCSD and the City under the Installment Sale Agreement or (ii) from the intercept of State Aid to Education payable to the YCSD or the City by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid to Education being made each year by the State to the YCSD and the City. No assurance can be given that present State Aid to Education levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State Aid to Education could have a material adverse effect upon the YCSD, requiring either a counterbalancing increase in revenues from other sources, to the extent available, or a curtailment of expenditures. Although the State has over the past five years provided State Aid to Education at levels averaging 57% per year of the YCSD's annual budget, neither this nor any other percentage of annual State Aid to Education is guaranteed. In the event that State Aid to Education is reduced by the State in the future, such reduction would result in a diminished flow of revenues for the payment of Installment Purchase Payments by the YCSD and the City under the Installment Sale Agreement, as well as diminished State Aid to Education available to be intercepted from the State Comptroller under the Yonkers Schools Act. Further, the Yonkers Schools Act provides that (x) any amount of State Aid to Education paid by the State Comptroller pursuant to the intercept provisions of the Yonkers Schools Act shall not obligate the State to make, nor entitle the YCSD to receive, any additional amounts of State Aid to Education, (y) nothing contained in the Yonkers Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid to Education and (z) the State shall not be obligated by the terms of the Yonkers Schools Act to maintain State Aid to Education at any particular level or amount.

Default by the YCSD and the City

No representations or assurances can be given that the YCSD or the City will perform their obligations under the Installment Sale Agreement. The obligation of the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement is executory and dependent upon the receipt of State Aid to Education and the appropriation of such State Aid to Education by the City for the payment of Installment Purchase Payments under the Installment Sale Agreement. In the event State Aid to Education has been appropriated by the State and (A) the City Council does not appropriate such State

Aid to Education, for the payment of the Installment Sale Agreement (including for the reason that the YCSD has failed to submit its anticipated annual expenditure to the Mayor of the City) or (B) the YCSD fails to approve the payment of any Installment Purchase Payment after appropriation thereof by the City Council, there is no right to accelerate payments due under the Installment Sale Agreement or the Series 2022 Bonds and the sole source of payment for the Series 2022 Bonds will be the intercept of State Aid to Education by the State Comptroller. The failure of the YCSD to budget for, or the City to appropriate amounts necessary, to make Installment Purchase Payments due under the Installment Sale Agreement may result in the failure of the Issuer to make required debt service payments under the Series 2022 Bonds. In such event, the sole remedy available to the Bondholders will be the intercept of State Aid to Education by the State Comptroller.

Appropriation of Installment Purchase Payments by the City and the YCSD

The availability of Installment Purchase Payments under the Installment Sale Agreement are subject to and dependent upon lawful appropriations of State Aid to Education being made each year by the State Legislature and the City for such purposes. The Installment Sale Agreement is not a general obligation of the YCSD or the City. The obligations of the YCSD and the City under the Installment Sale Agreement to pay Installment Purchase Payments in any fiscal year of the YCSD or the City constitute a current expense of the City and the YCSD for such fiscal year and shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or other laws of the State. Neither the Installment Sale Agreement nor any representation by any public employee or officer creates any legal or moral obligation of the City to appropriate or the YCSD or the City to make moneys available for the purposes of the Installment Sale Agreement. The failure of the YCSD and the City to pay Installment Purchase Payments due under the Installment Sale Agreement may result in the failure of the Issuer to make required debt service payments under the Series 2022 Bonds. In such event, there is no right to accelerate payments due under the Series 2022 Bonds and the sole remedy available to the Bondholders will be the intercept of State Aid to Education by the State Comptroller.

Competing Claims to State Aid to Education

Direct Claims

Revenue Anticipation Notes. The City has not historically issued revenue anticipation notes in anticipation of the receipt of State Aid to Education. However, the City is authorized to issue, and may in the future issue, revenue anticipation notes in anticipation of the receipt of State Aid to Education. Any such notes would be payable in the first instance from State Aid to Education in anticipation of which such revenue anticipation notes were issued. State law requires that whenever the amount of any revenue anticipation notes issued by the City on behalf of the YCSD equals the amount of State Aid to Education remaining uncollected, the City would be required to set aside in an account all of such State Aid to Education thereafter received by the YCSD to retire such revenue anticipation notes.

The State Aid Depository Agreement provides that, notwithstanding the provisions of the State Aid Depository Agreement providing for the flow of State Aid to Education to a Trustee of Project Bonds, upon receipt of written instructions to the Depository from the City indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid to Education paid to the YCSD or the City must be set aside in a special bank account designated in such instructions to be used only for the repayment of the outstanding revenue anticipation notes issued by the City on behalf of the YCSD (the “RAN Repayment Requirement”), then each month the Depository shall immediately withdraw from the State Aid Depository Fund all State Aid to Education that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Depository Agreement, to the special bank account until the total amount of such withdrawals

is equal to the principal amount of such RAN Repayment Requirement then outstanding. Notwithstanding the foregoing, in the event the YCSD or the City shall fail to pay an Installment Purchase Payment under the Installment Sale Agreement, the intercept provisions of the Yonkers Schools Act and the Indenture will operate to intercept any State Aid to Education payable to the YCSD or the City to the extent of such deficiency prior to the payment of such State Aid to Education to the YCSD and/or the City in accordance with the State Aid Depository Agreement. Accordingly, such State Aid to Education will be intercepted to pay Installment Purchase Payments under the Installment Sale Agreement prior to its application by the City to the payment of outstanding revenue anticipation notes of the City. In accordance with the requirements of the Local Finance Law, it is the City's current practice to set aside in a special bank account the last State Aid to Education money received during the fiscal year. Payments to the special bank account are generally made in May and June of each year.

Expenses for Handicapped Children. The State Comptroller deducts from State Aid to Education due to the YCSD amounts required by statute to reimburse the State for certain expenditures made by the State for the education of certain blind, deaf and handicapped children in the YCSD. Such expenditures were approximately \$0.1 million for 2017-18, \$0.01 million for 2018-19, \$0.0 million for 2019-20, \$0.0 million for 2020-21 and \$0.0 million for 2021-22, respectively, and \$0.0 million has been included in the 2022-23 budget for such expenditures.

Deductions for TRS Payments. TRS contributions are paid as a reduction in State Aid to Education payments due September 15, October 15 and November 15 of the succeeding fiscal year. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January. For the 2020-21 and 2021-22 fiscal years, TRS contributions were \$22.9 million in 2020-21 and are projected to be \$24.2 million in 2021-22. For 2022-23, \$25.9 million is budgeted in the General Fund for this purpose.

Contingent Claims.

State Finance Law Section 99-b. In the event of a default in the payment of the principal of and/or interest on outstanding general obligation indebtedness of the YCSD, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State Aid to Education and assistance to the YCSD and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of such general obligation indebtedness for YCSD purposes. The YCSD is wholly dependent upon the City for taxation and debt issuance. As measured by the State Constitution and the Local Finance Law, as of October 3, 2022, the City has a total outstanding net indebtedness of \$565,073,605 (excluding \$30,387,118 in water debt, \$19,489,277 in budgetary appropriations, \$0 revenue anticipation notes issued against City revenues, and \$0 in debt reserves), which represents 29.37% of the City's debt limit. Excluding revenue anticipation notes, the YCSD's share of outstanding City net debt is \$214,800,000 (or 38.01%), as of October 3, 2022. As of October 3, 2022, \$214,800,000 outstanding bonds issued for school purposes benefit from the Section 99-b statutory intercept mechanism for State Aid to Education.

The Series 2022 Bonds are not general obligation indebtedness of the City and accordingly do not benefit from the Section 99-b intercept.

Charter School Delinquencies. Pursuant to the Charter Schools Act, the YCSD is required to pay for the maintenance and operation of charter schools in the City. There is currently one charter school operating in the City. See "DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD—Charter Schools." In the event the YCSD fails to make any required payment for the maintenance or operation of a charter school, the State Comptroller may deduct such delinquent amounts from State Aid to Education otherwise payable to the YCSD and pay such amount to the charter schools.

Failure to Comply with Regulations. Payment of State Aid to Education may be withheld due to the failure of the City or the YCSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes.

The State's 2022-23 enacted budget links payment of school aid increases for 2022-23 to submission of Budget Transparency Reporting. The amount of total State Aid to Education budgeted to be received by the YCSD in fiscal year ending June 30, 2023 for the Consolidated Fund is \$393.1 million, which is an increase of \$20.8 million, or 5.6%, compared to the amount budgeted for the 2021-22 fiscal year.

Effect on State Aid

Statutory application and intercept of State Aid to Education for any of the above purposes or any other purpose would have the result of diminishing the flow of State Aid to Education to the YCSD and the City to make Installment Purchase Payments under the Installment Sale Agreement as well as possibly diminishing State Aid to Education subject to be intercepted by the State Comptroller under the Yonkers Schools Act. Furthermore, other State financing programs incorporate similar procedures for the application or withholding of State Aid to Education as security for the repayment of obligations, or the repayment of financial assistance provided to school districts in the State. Moreover, the State has the power to (i) create additional State Aid to Education intercept provisions, (ii) reduce or eliminate State Aid to Education paid to school districts and cities in the State and (iii) create State Aid to Education intercept provisions having a prior right to intercept State Aid to Education senior to the intercept of State Aid to Education provided by the Yonkers Schools Act. If the YCSD or the City is or becomes a participant in any such State financing program or otherwise pledges State Aid to Education, the extent to which State Aid to Education would be available (x) to pay Installment Purchase Payments under the Installment Sale Agreement or (y) to be intercepted by the State Comptroller and paid to the Trustee, could be adversely affected. No assurance is given that the YCSD or the City will not participate in any such State financing programs in the future.

In addition to the foregoing, it is important to note that State Aid may, after the payment of Base Installment Purchase Payments, be applied to the payment of Additional Payments under the Installment Sale Agreement for, among other things, casualty and indemnity obligations of the YCSD, in the event of a shortfall in the insurance coverage furnished by the YCSD to the Issuer. Accordingly, a significant casualty or indemnity event could substantially reduce State Aid coverage levels in relation to Base Installment Payment obligations of the YCSD and the City.

Additional Series of Project Bonds

The Series 2022 Bonds will rank on a ratable basis with the claims of the Series 2021 Bonds under the State Aid Trust Agreement, or from the State Comptroller as an intercept of State Aid to Education under the Yonkers Schools Act. See APPENDIX D — “Summary of Certain Provisions of the Installment Sale Agreement” and APPENDIX C — “Summary of Certain Provisions of the Indenture of Trust.”

Any Project Bonds issued under the Indenture or an Other Indenture (unless specifically issued on a subordinate basis) will rank on a Ratable Basis with the claims of the Series 2022 Bonds and the Series 2021 Bonds to State Aid to Education under the State Aid Depository Agreement or from the State Comptroller as an intercept of State Aid to Education under the Yonkers Schools Act. The issuance of additional Project Bonds will dilute the amount of State Aid to Education available to make Installment Purchase Payments with respect to the Series 2022 Bonds and the amount of State Aid to Education subject

to intercept by the State Comptroller and payable to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS.”

Enforceability of Remedies

The remedies available to the holders of the Series 2022 Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Existing constitutional and statutory law and judicial decisions, including Title 11 of the United States Code, affect the payment rights of Bondholders, and the remedies specified by the federal bankruptcy laws, the Indenture and the various documents referred to herein may not be readily available or may be limited. The legal opinions to be delivered concurrently with the delivery of the Series 2022 Bonds will be qualified as to enforceability of the legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally. In addition, such opinions will state that the availability of remedies may be limited by judicial application of principles of equity which may delay or preclude the exercise of remedies, including mortgage foreclosure.

State Aid Depository Agreement

Amounts held in the State Aid Depository Fund under the State Aid Depository Agreement are not pledged to the repayment of the Series 2022 Bonds. The State Aid Depository Fund is not a trust fund held under the Indenture and the Trustee does not and will not have a security interest in amounts held therein. In addition, the obligations of the City, the YCSD and the Depository relating to the collection, deposit and disbursement of State Aid contained in the State Aid Depository Agreement are not statutory obligations but contractual obligations of the Depository, the City, the YCSD and failure of such parties to comply with the provisions of the State Aid Depository Agreement would be actionable solely as a breach of contract matter. See also “Additional Series of Project Bonds” above.

Statutory Interpretation

The City, the JSCB and the YCSD are subject to the limitations imposed by State law including, but not limited to, the Education Law, the General Municipal Law and the Local Finance Law. Generally, such laws limit the power of the City to incur indebtedness, as well as the powers of the City and the YCSD to lease or purchase facilities and enter into installment purchase agreements similar to the Installment Sale Agreement. Notwithstanding such limitations, the Corporation Counsel of the City will provide an opinion to be delivered at the Series 2022 Bond closing to the effect that the Installment Sale Agreement is valid, binding and enforceable against the City, the JSCB and the YCSD in accordance with its terms subject to certain limitations (bankruptcy, discretion as to remedies, etc.). The Yonkers Schools Act has not been subjected to judicial review and the legal authority provided to the City, the JSCB and the YCSD by the Yonkers Schools Act could be subject to differing interpretation. Reference is hereby made to the form of opinion of Corporation Counsel of the City to be delivered upon issuance of the Series 2022 Bonds, a copy of which will be on file with the Trustee.

Absence of Public Market for the Series 2022 Bonds

The Underwriters are not obligated to make a secondary market in the Series 2022 Bonds, and any secondary market-making activities with respect to the Series 2022 Bonds may be discontinued at any time without notice. No assurance is given that an active public or other market will develop for the Series 2022 Bonds or as to liquidity of or the trading market for the Series 2022 Bonds. If a trading market does not develop or is not maintained, holders of the Series 2022 Bonds may experience difficulty in reselling the Series 2022 Bonds or may be unable to sell them at all. If a market for the Series 2022 Bonds develops,

any such market may be discontinued at any time. If a public trading market develops for the Series 2022 Bonds, future trading prices of the Series 2022 Bonds will depend on many factors, including, among other things, prevailing interest rates, State Aid to Education paid to the YCSD and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the YCSD, the Series 2022 Bonds may trade at a discount from their principal amount.

Cybersecurity Risks

The City and YCSD, like many other public and private entities, rely on technology to conduct their operations. As recipients and providers of personal, private, or sensitive information, the City and YCSD face various cyber threats including, but not limited to: hacking, denial of service attacks, malware, ransomware and various other types of attacks on computer systems and other sensitive digital networks and information systems. To mitigate the risk to business operations and/or damage from cyber incidents or cyber-attacks, the City and YCSD invest in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful in guarding against cyber threats and attacks. The results of any such attack(s) could impact business operations and/or damage City and/or YCSD digital networks and systems and the costs of remedying any such damage could be substantial.

The City's computer network was attacked by a ransomware virus in September of 2021. The City's Department of Information Technology immediately responded and quarantined the virus. The City did not make any payments to the ransomware perpetrators. The incident did not impact the YCSD's network or operations or have any direct impact on the YCSD. The City does not have a cybersecurity insurance policy. Costs for supplies, overtime and additional security measures put in place were paid for through the City's operating budget and the City has added additional levels of security following the incident.

TAX MATTERS

Federal Income Tax

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, and assuming continuing compliance by the Issuer, the YCSD and the City with certain covenants described below, and the accuracy of certain representations made by the Issuer, the YCSD and the City, interest on the Series 2022 Bonds is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of computing the Federal alternative minimum tax imposed on individuals. However, for tax years beginning after December 31, 2022, interest on the Series 2022 Bonds held by certain corporations that are subject to the Federal corporate alternative minimum tax is included in the computation of "adjusted financial statement income" for purposes of the Federal alternative minimum tax imposed on such corporations. (See below).

[Certain of the Series 2022 Bonds maturing on May 1, 20__ (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is

required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.]

[Certain of the Series 2022 Bonds maturing on May 1, 20__ (collectively, the “Discount Bonds”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Bond. In general, the “issue price” of a Series 2022 Bond means the first price at which at least 10 percent of such maturity of Series 2022 Bonds was sold to the public, i.e., a purchaser who is not an underwriter or a related party thereto of the Series 2022 Bonds. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2022 Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Discount Bonds.]

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various limitations, conditions and other Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2022 Bonds in order that interest on the Series 2022 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2022 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2022 Bonds by a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2022 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022 Bonds, irrespective of the date on which such noncompliance occurs. The Issuer, the YCSD and the City have made certain representations and certifications, and have covenanted in the Indenture, the Installment Sale Agreement, the Tax Certificate and the Arbitrage and Use of Proceeds Certificate to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

The Inflation Reduction Act of 2022, for tax years beginning after December 31, 2022, imposes a Federal corporate alternative minimum tax equal to 15 percent of the “adjusted financial statement income” of corporations (other than S corporations, regulated investment companies and real estate investment trusts) having an average annual “adjusted financial statement income” for the 3-taxable-year period ending with the tax year that exceeds \$1,000,000,000. Interest on tax-exempt bonds, such as the Series 2022 Bonds, is included in the computation of a corporation’s “adjusted financial statement income”. Prospective Bondholders that may be subject to the corporate alternative minimum tax should consult with their own tax advisors regarding the potential consequences of owning the Series 2022 Bonds.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2022 Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as APPENDIX E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2022 Bonds should be aware that ownership of the Series 2022 Bonds, and the accrual or receipt of interest thereon, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences of their ownership of the Series 2022 Bonds and their accrual or receipt of interest thereon. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Certain requirements and procedures contained or referred to in the Installment Sale Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2022 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

State and Local Income Taxes

Bond Counsel is also of the opinion that, under existing statutes, including the Act, interest on the Series 2022 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2022 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2022 Bonds.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2022 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2022 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2022 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2022 Bonds for audit examination or the course or result of an audit examination of the Series 2022 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2022 Bonds. No prediction is made as to whether any such legislation will be

enacted. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2022 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2022 BONDS.

APPROVAL OF LEGAL MATTERS

All legal matters incident to the authorization, issuance and delivery of the Series 2022 Bonds by the Issuer are subject to the approving opinion of Harris Beach PLLC, White Plains, New York, Bond Counsel to the Issuer. A form of the approving opinion of Bond Counsel is set forth in APPENDIX E — “Form of Approving Opinion of Bond Counsel for the Series 2022 Bonds” hereto. Certain legal matters will be passed upon for the Issuer by Lawrence Sykes, Esq., General Counsel. Legal matters pertaining to the JSCB, the YCSD and the City will be passed upon by the Corporation Counsel of the City. Certain legal matters will be passed upon for the Underwriters (as defined herein) by their counsel, Orrick, Herrington & Sutcliffe LLP, New York.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC (the “*Municipal Advisor*”) serves as independent municipal advisor to the City and the YCSD on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Series 2022 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2022 Bonds was based on materials provided by the City and the YCSD and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated or otherwise verified the information provided by the City or the YCSD or the information set forth in this Official Statement or any other information available to the City or the YCSD with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

NO LITIGATION

It is a condition of their acceptance of the Series 2022 Bonds at closing that the Underwriters receive certificates from the Issuer, the YCSD and the City to the effect that there is no pending or, to the knowledge of the Issuer, the YCSD or the City, threatened litigation against the Issuer, the YCSD or the City that in any way questions or affects the validity of the Series 2022 Bonds, the Indenture, the License Agreement, the Installment Sale Agreement, the State Aid Depository Agreement, or any proceedings or transactions relating to the issuance, sale or delivery of the Series 2022 Bonds or the execution and delivery of any of such documents or that would materially and adversely affect the New Community School Project.

As of the date of this Official Statement, the YCSD and the City have certified that they do not know of any fact or set of facts from which liability might arise which individually or collectively would

materially and adversely affect the business or operations of the YCSD, the City or the New Community School Project.

RATINGS

The Series 2022 Bonds have been given ratings (i) by Moody's Investors Service, Inc. of "Aa2," and (ii) by S&P Global Ratings of "AA" (stable outlook).

Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions by such rating agency. A rating is not a recommendation to buy, sell or hold the Series 2022 Bonds. There is no assurance that a rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension or withdrawal of a rating might have an adverse effect upon the market price or marketability of the Series 2022 Bonds. The Underwriters, the Issuer, the YCSD and the City undertake no responsibility after the issuance of the Series 2022 Bonds to assure the maintenance of any of the ratings or to oppose any revision or withdrawal thereof.

UNDERWRITING

Roosevelt & Cross Incorporated, as representative of the underwriters (the "*Underwriters*") under a Purchase Contract among the Issuer, the JSCB (on behalf of itself, the City and the YCSD) and the Underwriters (the "*Purchase Contract*"), has agreed, subject to certain conditions, to purchase the Series 2022 Bonds from the Issuer at a purchase price of \$_____, being the par amount of the Series 2022 Bonds, [plus/less] an original issue [premium/discount] of \$_____ and less an underwriters' discount of \$_____, and to make a public offering of the Series 2022 Bonds. The Underwriters will be obligated to purchase all such Series 2022 Bonds if any are purchased. In connection with the public offering of the Series 2022 Bonds, the Underwriters will be receiving compensation in the amount of the Underwriters' discount.

The Underwriters' obligation under the Purchase Contract to accept delivery of the Series 2022 Bonds is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The public offering price set forth on the cover page hereof may be changed from time to time at the discretion of the Underwriters.

Pursuant to the Purchase Contract, the YCSD and the City have agreed to indemnify the Underwriters and the Issuer against certain liabilities to the extent permitted by law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "*Rule*"), the JSCB will undertake, on behalf of the City and the YCSD, in a written agreement for the benefit of the holders and beneficial owners of the Series 2022 Bonds (the "Continuing Disclosure Agreement") to electronically file with the Municipal Securities Rulemaking Board ("*MSRB*"), as the sole nationally recognized securities repository through the MSRB's Electronic Municipal Market Access ("*EMMA*") System, on an annual basis no later than one calendar year after the end of each respective Fiscal Year of the City and the YCSD, commencing with the Fiscal Year ending June 30, 2022, certain financial and operating data concerning the City and the YCSD of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the JSCB will undertake, on behalf of the City and the YCSD, for the benefit of the holders and beneficial owners of the Series 2022 Bonds, to electronically file with the MSRB through EMMA, in a timely manner, not in excess of ten (10) business days after the occurrence, notices of any of the events enumerated in the Rule. Any filing to be made under the Continuing Disclosure Agreement may

be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>. See APPENDIX F — “Form of Continuing Disclosure Agreement.”

The JSCB, on behalf of the City and the YCSD, entered into a continuing disclosure agreement with respect to the Series 2021 Bonds which required that certain financial and operating data concerning the City and the YCSD be filed with the MSRB no later than one calendar year after the end of each respective Fiscal Year of the City and the YCSD. Certain financial and operating data for the 2020-21 Fiscal Year was not timely filed and a notice of failure to comply with such requirement was not timely filed. Such financial and operating data and such notice were filed on October 6, 2022.

MISCELLANEOUS

The summaries of and references herein to the Act, the Yonkers Schools Act, the Series 2022 Bonds, the Indenture, the Installment Sale Agreement, the State Aid Depository Agreement, the License Agreement, and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such documents for the complete provisions thereof, copies of which may be obtained from the Trustee.

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions, estimates or forecasts will be realized. This Official Statement is not to be construed as a contract or an agreement between the Issuer, the YCSD or the Underwriters and any purchaser of the Series 2022 Bonds.

The appendices hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

The City and YCSD have reviewed the information contained herein that relates to them, their properties and operations, and has approved all such information for use within this Official Statement.

The distribution of this Official Statement to prospective purchasers of the Series 2022 Bonds by the Underwriters has been duly authorized by the Issuer, the City and the YCSD. This Official Statement is made available only in connection with the sale of the Series 2022 Bonds and may not be used in whole or in part for any other purpose.

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**CITY OF YONKERS INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Secretary

YONKERS CITY SCHOOL DISTRICT

By: _____
President

CITY OF YONKERS

By: _____
Commissioner of Finance & Management Services

November __, 2022

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APPENDIX A

**YONKERS CITY SCHOOL DISTRICT FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2021**

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Yonkers City School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2021

Yonkers City School District, New York

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Yonkers City School District, New York

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Independent Auditors' Report

**The Board of Education of the
Yonkers City School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yonkers City School District, New York ("School District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.pkfod.com

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 2C and Note 2E in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 84, "*Fiduciary Activities*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit for the year ended June 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended June 30, 2021 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated December 3, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2020 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2020 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
December 1, 2021

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Yonkers City School District, New York

Management's Discussion and Analysis (MD&A)
June 30, 2021

INTRODUCTION

The following is a discussion and analysis of the Yonkers City School District's ("School District") financial performance as of and for the fiscal year ended June 30, 2021. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. To increase the understanding of the School District's financial performance, readers should refer to the basic financial statements and the notes to the basic financial statements which will immediately follow this section.

FINANCIAL HIGHLIGHTS

District-Wide Statement Overview

- The School District's 2020-2021 actual revenue per the District-wide financial statements decreased by \$16.2 million from the prior year of \$675.6 million to \$659.4 million.
- The decrease in Unrestricted State Aid of \$21.1 million is the combination of \$10 million for the governor's pandemic adjustment, \$7 million in Transportation aid due to COVID-19, and \$2 million in Special Services.
- The decrease in Capital, Grants and Contributions of \$3.6 million is the result of a reduction in funding from Dormitory Authority of the State of New York (DASNY).
- Operating grants, Unrestricted State aid, along with the contribution from the City of Yonkers accounted for \$652.4 million or 99%, of all revenue in 2021. Total expenses for functions/programs in the District-wide financial statements totaled \$797.5 million and \$769.8 million in 2021 and 2020, respectively.
- The combination of the \$21.9 million increase in Instruction and the \$2.5 million increase in General Support are the two major categories for 2020-2021 actual expense increase. The primary sources of the increases are Other Post-Employment Benefits (OPEB), GASB 68 Pension allocations and Fixed Asset Additions.
- At June 30, 2021, the School District reported in its Statement of Net Position a liability of \$42.6 million for its proportionate share of the net pension liability. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in the notes to financial statements.
- At June 30, 2021, liabilities and deferred inflows of resources, per the District-wide financial statements exceeded total assets and deferred outflows of resources by \$1.7 billion. The decrease in net position was primarily caused by the School District's reporting of postemployment benefits other than pensions, which increased liabilities by \$231.2 million.

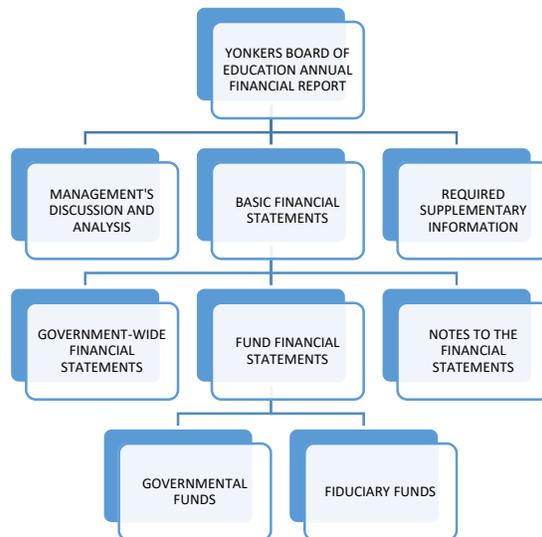
Fund Financial Statement Overview

- The total revenues and other financing sources for all governmental funds was \$708.4 million which was a decrease of \$28.4 million or 3.85% decline from the 2019-2020 year.
- General Fund revenues (including operating transfers in) decreased by \$3.1 million from the prior year of \$586.6 million to \$583.5 million.
- General Fund expenditures (including operating transfers out) increased by \$2.1 million from the prior year of \$568.5 million to \$570.6 million.
- As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$108.5 million at June 30, 2021, an increase of \$22.7 million during 2021.
- The change in Fund Balance for the School District's General Fund was \$12.9 million. This increase was driven primarily by additional revenue from local and Federal sources along with the reduction in Instructional and General Support expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:(1) Management's discussion and analysis - MD&A, (2) the basic financial statements, including notes to the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

Figure A-1



District-wide Financial Statements

The District-wide financial statements provide both short-term and long-term information about the School District's overall financial status.

Fund Financial Statements

The fund financial statements focus on individual funds of the School District, reporting the School District's operations in more detail than the District-wide statements. The fund financial statements concentrate on the School District's most significant funds.

- **Governmental Funds**

The governmental funds statements indicate how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- **Fiduciary Funds**

Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. As a result of the implementation of GASB Statement No. 84 “*Fiduciary Activities*”, the School District no longer reports any fiduciary funds.

Notes to Basic Financial Statements

The financial statements also include notes that explain some of the information in the financial statements and provide detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year.

Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-wide and Fund Financial Statements			
	District-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School district (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of assets/deferred outflows/liability/deferred inflow information	All assets/deferred outflows/liability/deferred inflow, both financial and capital, short-term and long-term	Generally, assets/deferred outflows/deferred inflows expected to be used up and liabilities that come due during the subsequent year or soon thereafter; no	Assets/liability/deferred inflow, both short-term and long-term; funds do not currently contain capital assets, although they can

Figure A-2 Major Features of the District-wide and Fund Financial Statements			
	District-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
		capital assets or long-term liabilities included	
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

District-wide Financial Statements

A fundamental question asked by all is “How did we do financially for the school year reported?” To help answer this question, the Statement of Net Position and the Statement of Activities and Changes in Net Position provides information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District’s assets, deferred outflows, liabilities and deferred inflows. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District’s *net positions* and how it has changed. Net position - the difference between the School District’s assets, deferred outflows, liabilities and deferred inflows - are one way to measure the School District’s financial health or position.

- Over time, increases or decreases in the School District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors, such as changes in the property tax bases and the condition of buildings and other facilities, should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net positions are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net positions are categories that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two types of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, Special Purpose, Debt Service, and the Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** Keep the School District as the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. The School District no longer reports any fiduciary funds.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the net position may serve as a useful indicator of a government's financial position. The Board's net position was a negative (\$1.699) billion at the close of the most recent fiscal year, compared to negative (\$1.562) billion in the prior year, for a decrease of \$137.6 million in the current year.

Our analysis below focuses on the net position (Table I) and change in net position (Table II) of the School District's government wide activities.

Table I – Statement Net Position

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Amount Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 292,394,687	\$ 276,159,305	\$ 16,235,382	5.88%
Capital Assets	337,265,436	319,308,633	17,956,803	5.62%
Total Assets	<u>629,660,123</u>	<u>595,467,938</u>	<u>34,192,185</u>	<u>5.74%</u>
Deferred Outflows of Resources	<u>510,126,151</u>	<u>380,739,169</u>	<u>129,386,982</u>	<u>33.98%</u>
Current Liabilities	184,645,475	147,092,121	37,553,354	25.53%
Long-term Liabilities	<u>2,565,570,383</u>	<u>2,334,444,789</u>	<u>231,125,594</u>	<u>9.90%</u>
Total Liabilities	<u>2,750,215,858</u>	<u>2,481,536,910</u>	<u>268,678,948</u>	<u>10.83%</u>
Deferred Inflows of Resources	<u>89,333,407</u>	<u>56,792,154</u>	<u>32,541,253</u>	<u>57.30%</u>
Net Position:				
Net Investment in Capital Assets	177,924,424	179,096,522	(1,172,098)	(0.65%)
Restricted	1,353,377	1,410,958	(57,581)	(4.08%)
Unrestricted	<u>(1,879,040,792)</u>	<u>(1,742,629,437)</u>	<u>(136,411,355)</u>	<u>7.83%</u>
Total Net Position	<u>\$ (1,699,762,991)</u>	<u>\$ (1,562,121,957)</u>	<u>\$ (137,641,034)</u>	<u>8.81%</u>

In Table I, total assets increased by \$34.2 million, or 5.7%. As a requirement of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date", the School District reported a net pension asset, liability and deferred inflows and outflows as calculated by the New York State Teachers' and Local Employees Retirement systems in the Statement of Net Position. This asset and the net deferrals are not in custody of, nor are they accessible by the School District; rather these represent the School District's share of the calculated excess/shortfall of the respective retirement systems. Please see Note 3E of the financial statements for more information on these pension items.

Total liabilities increased by \$268.7 million, or 10.8%. As discussed earlier the increase in liabilities was predominantly the result of the School District's accounting and financial reporting for postemployment benefits other than pensions, which required the recording of an additional liability of \$231.2 million.

Table II –Change in Net Position

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Amount Change</u>	<u>Percent Change</u>
Revenue:				
Charges for Service	\$ 24,402	\$ 831,591	\$ (807,189)	(97.07%)
Operating grants and contributions	82,706,507	81,150,477	1,556,030	1.92%
Capital grants and contributions	1,914,022	5,553,764	(3,639,742)	(65.54%)
General Revenue:				
Contribution from City of Yonkers	270,802,576	265,598,611	5,203,965	1.96%
Unrestricted State aid	298,922,690	320,014,942	(21,092,252)	(6.59%)
Miscellaneous	5,066,873	2,469,591	2,597,282	105.17%
Total Revenue	659,437,070	675,618,976	(16,181,906)	(2.40%)
Expenses:				
General Support	95,867,610	93,406,774	2,460,836	2.63%
Instruction	650,623,065	628,662,238	21,960,827	3.49%
Transportation	32,872,598	31,335,937	1,536,661	4.90%
Community Services	400,020	376,206	23,814	6.33%
Cost of Sales - Food	11,333,679	10,889,986	443,693	4.07%
Other	369,045	38,837	330,208	850.24%
Interest on Long-Term Debt	6,024,019	5,083,971	940,048	18.49%
Total Expenses	797,490,036	769,793,949	27,696,087	3.60%
Decrease in Net Position	(138,052,966)	(94,174,973)	(43,877,993)	46.59%
Net Position -				
Beginning, as reported	(1,562,121,957)	(1,467,946,984)	(94,174,973)	(6.42%)
Cumulative Effect of Change in Accounting Principle	411,932	-	411,932	0.00%
Net Position - Beginning, as restated	(1,561,710,025)	(1,467,946,984)	(93,763,041)	6.39%
Net Position - Ending	<u>\$ (1,699,762,991)</u>	<u>\$ (1,562,121,957)</u>	<u>\$ (137,641,034)</u>	<u>(8.81%)</u>

In Table II, the School District's total revenues were \$659.4 million, a decrease of \$16.2 million or (2.4%). The total cost of all programs and services was \$797.5 million an increase of \$27.7 million or 3.60%.

The major decrease in revenue was the result of the \$21.1 million decrease in Unrestricted State aid and the \$3.6 million decrease in Capital, Grants and Contributions.

The \$21.1 million for Unrestricted State and Federal Aid was comprised primarily of a \$10 million decrease in Basic Formula Aid due to the governor's Pandemic adjustment, \$7 million in Transportation due to COVID-19 and \$2 million in Special Services aid.

The decrease in Capital, Grants and Contributions of \$3.6 million is the result of a reduction in funding from Dormitory Authority of the State of New York (DASNY).

The decrease was offset by the increase in Contribution from the City of Yonkers of \$5.2 million and \$2.6 million increase in Miscellaneous revenue. The \$5.2 million Contribution from City of Yonkers is comprised of \$2 million increase in Debt Service contribution, \$2 million increase in Maintenance of Effort (MOE) and \$1.2 increase in Sales Tax Revenue that is specifically allocated to education.

Miscellaneous Revenue increased \$2 million mainly due to the increase in write off of prior year accruals and increase in tuition rate reimbursement adjustment for prior years.

As stated earlier, the School District total expense increased by \$27.7 million. The combination of the \$21.9 million increase in Instruction and the \$2.5 million increase General Support are the two major categories for 2020-2021 actual expense increase. The primary sources of the increases are Other Post-Employment Benefits (OPEB) and GASB 68 Pension allocations and Fixed Asset Additions.

Table III –Revenue Sources for 2021:

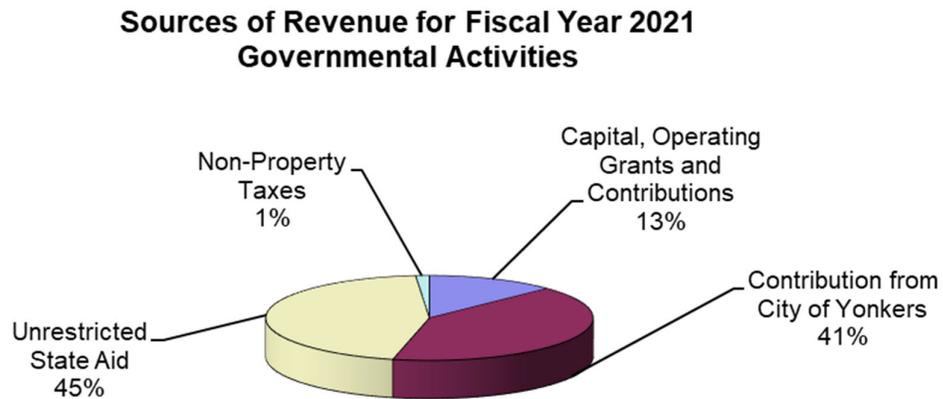
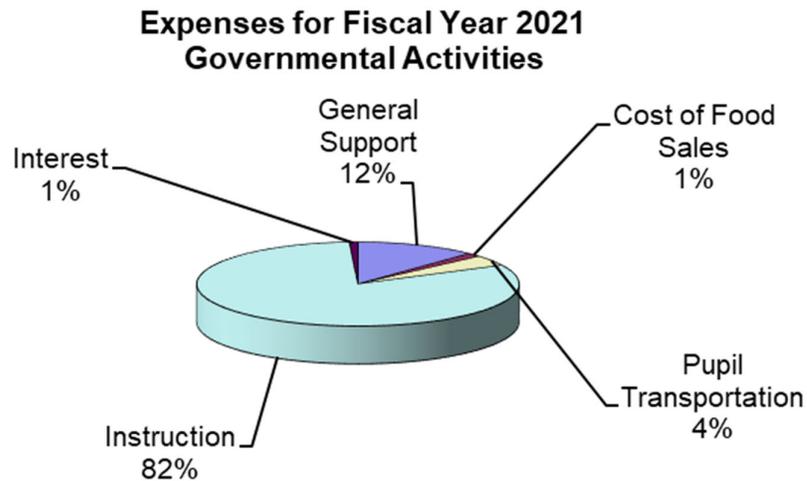


Table IV – Sources of Expenses for 2021:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' capital projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Table V – Results vs. Budget

	Original Budget	Final Budget	Actual	Encumbrance	Variance
Revenue:					
Local and Miscellaneous Sources	\$ 246,914,818	\$ 246,914,818	\$ 251,854,209	\$ -	\$ 4,939,391
State Sources	342,807,186	342,807,186	321,118,121	-	(21,689,065)
Federal Sources	814,900	814,900	10,252,506	-	9,437,606
Interfunds Revenue	446,344	446,344	313,559	-	(132,785)
Total	<u>590,983,248</u>	<u>590,983,248</u>	<u>583,538,395</u>	<u>-</u>	<u>(7,444,853)</u>
Expenditures:					
General Support	42,596,590	44,010,140	40,975,711	517,160	2,517,269
Instruction	361,345,933	364,862,716	347,504,864	120,113	17,237,739
Transportation	40,683,249	38,023,202	29,805,612	-	8,217,590
Employee Benefits	157,193,042	151,722,374	147,852,158	-	3,870,216
Debt Service	1,633,652	1,634,034	1,633,970	-	64
Transfers Out	1,495,200	4,695,200	2,850,907	-	1,844,293
Total Expenditures	<u>604,947,666</u>	<u>604,947,666</u>	<u>570,623,222</u>	<u>637,273</u>	<u>33,687,171</u>
Revenue Over (under) Expenditures	<u>\$ (13,964,418)</u>	<u>\$ (13,964,418)</u>	<u>\$ 12,915,173</u>	<u>\$ (637,273)</u>	<u>\$ 26,242,318</u>

The School District considers budget variances of 10% and \$1 million to be significant. The following variances occurred during 2021:

Revenue

- The General Fund ended 2020-21 with a \$7.4 million operating revenues deficit in contrast to a \$964,704 surplus in the prior year.
- The Local and Miscellaneous Sources surplus of \$4.9 million is comprised mostly of miscellaneous revenue and the cancellation of accrued liabilities for special education, foster and out of district tuition expenses. The cancelations for tuitions and number of foster students was higher than budgeted. The cancelation of accrued liabilities and miscellaneous revenue are difficult to budget with certainty and are subject to fluctuations from year to year.
- The surplus in Federal sources is the result of Federal Cares Act funding increase and the offset by the reduction in Medicaid revenue.
- State Aid decrease was mostly comprised of lower than budgeted reimbursable revenues for State Aid, such as Basic Formula as a result of Federal Cares Act Funding of \$10.4 million that was recorded on State Aid runs as Foundation Aid but subsequently changed to General Fund

Federal Revenue. The \$7 million decline in Transportation Aid due to fiscal year 2019-2020 (COVID-19) expenses and \$2 million decline in Special Service Aid due to decline in enrollment for Career & Technical education were also contributing factors to the decrease.

Expenditures

- General support, which encompasses Board of Education, Central Administration, Finance and Central Services and Special Items had a favorable variance of \$3 million to the revised budget. This was the result of significant savings due to the return of students to school on a limited basis for six months. The decline in expenses relating to Electricity, Overtime and Contractual Lines in the Operation and Maintenance of Plant activity lines is the result of limited occupancy. Significant savings in Central Services – operation of plant which was due to lower than budgeted fuel prices. The budget anticipated pricing of \$2.20 per gallon, however, the actual pricing was \$1.73 per gallon.
- Instruction which is comprised of Instruction Administration and Improvements, Teaching – Regular schools, Programs for Students with Disabilities and Pupil Services showed a total favorable variance of \$6.5 million compared to revised budget. These savings were the result of COVID-19's effect on salary and contractual expenditure which included but not limited to lower extra pay, reduction in substitute teacher cost, lower sick bank expense for teachers, lower professional development cost, staff turnover, vacancies and reduction in Athletics cost.
- The program for students with disabilities showed a \$6.7 million favorable variance which was the result of lower than anticipated special education tuitions for out of district students attending BOCES, private and public schools as a result of the impact of COVID-19 hybrid schedule.
- Pupil Services which is comprised of Attendance, Guidance, Health Services, Psychological/Social work services and Interscholastic Athletic all showed positive variance of over \$2.8 million respectively. These saving are consistent with salary savings due to COVID-19 hybrid schedule, staff turnover, vacancies and district initiatives to reduce contractual expenditures. Interscholastic Athletics had a \$1.1 million positive variance mostly because of Transportation savings as a result of the effects of COVID-19 and CDC halt on athletic activities.
- Transportation favorable variance of \$8.2 million over the revised budget was primarily due to COVID-19 school being remote for four months and hybrid schedule for six months. It should be noted that Yonkers Public School District contracts out its bus services, therefore when transportation of students was suspended due to COVID-19 contractual payment to vendors were also suspended.
- The \$3.9 million favorable variance for Employee retirement consisted of \$243,453 variance in State and Local Retirement System (ERS), \$540,618 in Teachers retirement (TRS), \$886,398 in social security and \$2.3 million in Health Insurance costs. These savings where attributed to but not limited to lower NYSHIP Rates than anticipated, salary savings (staff turnover, vacancies) and increased employee contributions.
- The TRS and ERS savings were due to pensionable wages being less than budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Table VI – Capital Assets

Category:	Fiscal Year 2021	Fiscal Year 2020	Amount Change	Percent
Land	\$ 6,597,219	\$ 6,597,219	\$ -	-
Construction in Progress	108,003,733	86,837,859	21,165,874	24.37%
Building and Improvements	221,642,756	224,492,364	(2,849,608)	(1.27%)
Machinery and Equipment	1,021,728	1,381,191	(359,463)	(26.03%)
Total	<u>\$ 337,265,436</u>	<u>\$ 319,308,633</u>	<u>\$ 17,956,803</u>	<u>5.62%</u>

As of June 30, 2021, the School District had \$337.3 million invested in a broad range of capital assets including land, buildings, vehicles, athletic facilities, computers, and other educational equipment.

The School District continued its major renovation projects at a number of different schools during the school year, expending \$28.6 million in construction costs. The capital expenditures were mostly attributed to \$7.9 million Districtwide HVAC upgrades to adhere to air safety standards to open the schools for in class learning. Other capital projects included reconstruction and restoration of \$1.6 million Yonkers Middle High School, \$3.2 million PS#8, \$2.2 million Lincoln High School, and \$3.5 million PS#17.

The remaining \$10.2 million is attributable to other construction costs for projects such as boiler replacement, building restorations, interior restoration, and restoration of window, doors, and sidewalks for various schools.

Long-Term Debt

Table VII – Long-Term Debt

Category:	Fiscal Year 2021	Fiscal Year 2020	Amount Change	Percent Change
General Obligation Bonds & Premium	\$ 228,149,633	\$ 206,145,262	\$ 22,004,371	10.67%
State Loan Payable	1,800,000	2,000,000	(200,000)	(10.00%)
Note Payable - ESCO	5,336,291	6,774,863	(1,438,572)	(21.23%)
Due to Retirement Systems	9,892,138	11,936,775	(2,044,637)	(17.13%)
Compensated Absences	19,956,069	21,077,308	(1,121,239)	(5.32%)
Net Pension Liability	42,658,954	59,896,273	(17,237,319)	(28.78%)
Other Post Employment Benefits	2,257,777,298	2,026,614,308	231,162,990	11.41%
	<u>\$ 2,565,570,383</u>	<u>\$ 2,334,444,789</u>	<u>\$ 231,125,594</u>	<u>9.90%</u>

As of June 30, 2021, the School District had \$228.1 million in general obligation bonds and \$37 million in other long-term debt outstanding. In addition, the net pension liability of \$42.6 million and other postemployment benefits obligation of \$2.3 billion are shown in the exhibit. Please see Note 3E of the financial statements for more information on the School District's long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

As a dependent school district without the authority to raise taxes or issue debt, the school district is directly impacted by current economic conditions. The School District continues to face structural deficiencies such as increases in the School District's costs, contractual obligations for salary, health insurance premiums, retirement system contributions and other postemployment benefits. The School District receives approximately 42% of its revenue from the City of Yonkers.

The School District continuously monitors developments on the State and Federal level that influence school districts and incorporates those changes in its short and long term financial planning. The State anticipation of fully funding Foundation Aid formula by 2023-24 and the Federal American Rescue plan and Relief Supplemental Appropriations Act funds are expected to provide supplemental support that has to be spent over the next three to four years.

State legislation changes to real property laws could impact the City's ability to increase funding to the School District which will be needed to meet its projected increased costs in future periods.

Maintaining and operating District facilities presents a significant challenge, one made more difficult given the age of the school buildings. In June 2016, the New York State Legislature established the Yonkers City School District Joint School Construction (JSCB) and Modernization Act. The purpose of the legislation is to provide the City of Yonkers and the Yonkers City School District with increased flexibility to meet the needs of their schoolchildren by providing alternative financing mechanisms for financing of new school facilities and the modernization of existing buildings. The state authorized the total cost of 37 projects not to exceed \$523 million. JSCB Phase IA is the modernization of St. Denis to the New Community School 35.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mr. John A Liszewski
Commissioner of Finance
City of Yonkers
Department of Finance and Management Services
One Larkin Center – Third Floor,
Yonkers, New York 10701-7044.

Yonkers City School District, New York

Statement of Net Position
June 30, 2021

ASSETS

Cash and equivalents	\$ 337,902
Receivables	
Accounts	4,457,651
State and Federal aid	114,284,079
Due from City of Yonkers	172,978,986
Prepaid expenses	598
Inventories	335,471
Capital assets	
Not being depreciated	114,600,952
Being depreciated, net	<u>222,664,484</u>
Total Assets	<u>629,660,123</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding bonds	2,689,229
Pension related	191,755,029
OPEB related	<u>315,681,893</u>
Total Deferred Outflows of Resources	<u>510,126,151</u>

LIABILITIES

Accounts payable	39,818,513
Accrued liabilities	40,421,869
Unearned revenue	1,190,940
Due to other governments	742,264
Due to retirement systems	29,867,788
Due to City of Yonkers	69,631,960
Overpayments	638,469
Accrued interest payable	2,333,672
Non-current liabilities	
Due within one year	22,736,054
Due in more than one year	<u>2,542,834,329</u>
Total Liabilities	<u>2,750,215,858</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>89,333,407</u>
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NET POSITION

Net investment in capital assets	177,924,424
Restricted for	
Capital projects	96,111
Debt service	504,827
Special purpose	752,439
Unrestricted	<u>(1,879,040,792)</u>
Total Net Position	<u>\$ (1,699,762,991)</u>

The notes to the financial statements are an integral part of this statement.

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Yonkers City School District, New York

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
General support	\$ 95,867,610	\$ 23,989	\$ 313,559	\$ -	\$ (95,530,062)
Instruction	650,623,065	-	74,493,762	1,809,016	(574,320,287)
Pupil transportation	32,872,598	-	94,094	-	(32,778,504)
Community services	400,020	-	400,019	-	(1)
Cost of food sales	11,333,679	413	7,059,467	-	(4,273,799)
Other	369,045	-	345,606	-	(23,439)
Interest	6,024,019	-	-	105,006	(5,919,013)
Total Governmental Activities	\$ 797,490,036	\$ 24,402	\$ 82,706,507	\$ 1,914,022	(712,845,105)
General revenues					
Contribution from City of Yonkers					270,802,576
Sale of property and compensation for loss					20,740
Unrestricted State aid					298,922,690
Miscellaneous					5,046,133
Total General Revenues					574,792,139
Change in Net Position					(138,052,966)
Net Position - Beginning, as reported					(1,562,121,957)
Cumulative Effect of Change in Accounting Principle					411,932
Net Position - Beginning, as restated					(1,561,710,025)
Net Position - Ending					\$ (1,699,762,991)

The notes to the financial statements are an integral part of this statement.

Yonkers City School District, New York

Balance Sheet
Governmental Funds
June 30, 2021

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ -	\$ -	\$ -
Receivables			
Accounts	2,482,138	-	1,967,342
State and Federal aid	80,756,090	30,626,977	-
Due from City of Yonkers	110,118,364	-	57,140,900
Due from other funds	8,915,059	96,485	42,963
Advances to other funds	732,522	-	-
Prepaid expenditures	598	-	-
Inventories	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 203,004,771</u>	<u>\$ 30,723,462</u>	<u>\$ 59,151,205</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 35,886,648	\$ 1,770,808	\$ 2,009,828
Accrued liabilities	36,540,038	694,220	2,896,133
Unearned revenue	-	1,190,940	-
Due to other governments	742,264	-	-
Due to retirement systems	29,867,788	-	-
Due to City of Yonkers	-	27,026,137	-
Due to other funds	43,497,119	41,357	1,459,386
Advances from other funds	-	732,522	-
Overpayments	638,469	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	147,172,326	31,455,984	6,365,347
Deferred inflows of resources			
Deferred revenues	1,547,827	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Deferred Inflows of Resources	<u>148,720,153</u>	<u>31,455,984</u>	<u>6,365,347</u>
Fund balances (deficits)			
Nonspendable	733,120	-	-
Restricted	-	-	52,785,858
Assigned	9,009,419	-	-
Unassigned	44,542,079	(732,522)	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>54,284,618</u>	<u>(732,522)</u>	<u>52,785,858</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 203,004,771</u>	<u>\$ 30,723,462</u>	<u>\$ 59,151,205</u>

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental	Total Governmental Funds
\$ 337,902	\$ 337,902
8,171	4,457,651
2,901,012	114,284,079
5,719,722	172,978,986
43,501,448	52,555,955
-	732,522
-	598
335,471	335,471
<u>\$ 52,803,726</u>	<u>\$ 345,683,164</u>
\$ 151,229	\$ 39,818,513
291,478	40,421,869
-	1,190,940
-	742,264
-	29,867,788
42,605,823	69,631,960
7,558,093	52,555,955
-	732,522
-	638,469
50,606,623	235,600,280
-	1,547,827
<u>50,606,623</u>	<u>237,148,107</u>
335,471	1,068,591
1,257,266	54,043,124
604,366	9,613,785
-	43,809,557
<u>2,197,103</u>	<u>108,535,057</u>
<u>\$ 52,803,726</u>	<u>\$ 345,683,164</u>

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Yonkers City School District, New York

Reconciliation of the Governmental Funds Balance Sheet to
the District-Wide Statement of Net Position
June 30, 2021

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Total Fund Balances - Total Governmental Funds	<u>\$ 108,535,057</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets - non-depreciable	114,600,952
Capital assets - depreciable	426,670,930
Accumulated depreciation	<u>(204,006,446)</u>
	<u>337,265,436</u>
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	191,755,029
Deferred outflows - OPEB related	315,681,893
Deferred inflows - pension related	<u>(89,333,407)</u>
	<u>418,103,515</u>
Other long-term assets that are not available to pay for current-period expenditures are reported as unearned or deferred in the funds.	
Deferred revenues	<u>1,547,827</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(2,333,672)
Bonds payable	(205,100,000)
Notes payable	(5,336,291)
State loan payable	(1,800,000)
Retirement incentives and other pension obligations	(9,892,138)
Compensated absences	(19,956,069)
Net pension liability	(42,658,954)
Other post employment benefit liability	<u>(2,257,777,298)</u>
	<u>(2,544,854,422)</u>
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amount on refunding	2,689,229
Premium on bonds	<u>(23,049,633)</u>
	<u>(20,360,404)</u>
Net Position of Governmental Activities	<u>\$ (1,699,762,991)</u>

The notes to the financial statements are an integral part of this statement.

Yonkers City School District, New York

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General	Special Aid	Capital Projects
REVENUES			
Charges for services	\$ 239,109	\$ -	\$ -
Use of money and property	23,989	-	-
Sale of property and compensation for loss	20,740	-	-
Interfund revenues	313,559	-	-
State aid	321,118,121	27,780,607	1,809,016
Federal aid	10,252,506	20,195,892	-
Food sales	-	-	-
Miscellaneous	5,046,846	318,119	-
Total Revenues	337,014,870	48,294,618	1,809,016
EXPENDITURES			
Current			
General support	40,975,711	310,201	-
Instruction	347,504,864	42,175,092	-
Pupil transportation	29,805,612	94,093	-
Community services	-	400,020	-
Employee benefits	147,852,158	3,420,089	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	1,438,572	-	-
Interest	195,398	-	-
Capital outlay	-	-	35,529,551
Total Expenditures	567,772,315	46,399,495	35,529,551
Deficiency of Revenues Over Expenditures	(230,757,445)	1,895,123	(33,720,535)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	33,175,000
Issuance premium	-	-	6,927,800
Contribution from City of Yonkers	246,523,525	-	-
Transfers in	-	1,495,200	-
Transfers out	(2,850,907)	-	(200)
Total Other Financing Sources	243,672,618	1,495,200	40,102,600
Net Change in Fund Balances	12,915,173	3,390,323	6,382,065
FUND BALANCES (DEFICITS)			
Beginning of Year, as restated	41,369,445	(4,122,845)	46,403,793
End of Year	\$ 54,284,618	\$ (732,522)	\$ 52,785,858

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental	Total Governmental Funds
\$ -	\$ 239,109
105,193	129,182
-	20,740
-	313,559
182,866	350,890,610
6,876,601	37,324,999
413	413
345,419	5,710,384
<u>7,510,492</u>	<u>394,628,996</u>
-	41,285,912
-	389,679,956
-	29,899,705
-	400,020
2,570,194	153,842,441
5,845,393	5,845,393
369,045	369,045
15,641,000	17,079,572
8,734,654	8,930,052
-	35,529,551
<u>33,160,286</u>	<u>682,861,647</u>
<u>(25,649,794)</u>	<u>(288,232,651)</u>
-	33,175,000
-	6,927,800
24,279,051	270,802,576
1,355,907	2,851,107
-	(2,851,107)
<u>25,634,958</u>	<u>310,905,376</u>
(14,836)	22,672,725
<u>2,211,939</u>	<u>85,862,332</u>
<u>\$ 2,197,103</u>	<u>\$ 108,535,057</u>

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Yonkers City School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2021

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 22,672,725</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay expenditures	28,680,599
Depreciation expense	<u>(10,723,796)</u>
	<u>17,956,803</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Deferred revenues	<u>(5,680,943)</u>
<p>Bond, note and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized on the statement of activities.</p>	
Bonds issued	(33,175,000)
Issuance premium	(6,927,800)
Principal paid on bonds	15,441,000
Principal paid on notes	1,438,572
Principal paid on State loan	200,000
Principal paid on retirement incentives and other pension obligations	<u>2,044,637</u>
	<u>(20,978,591)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Accrued interest	773,002
Compensated absences	1,121,239
Changes in pension liabilities and related deferred outflows and inflows of resources	(27,586,361)
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(128,463,871)
Amortization of premium and loss of refunding bonds	<u>2,133,031</u>
	<u>(152,022,960)</u>
Change in Net Position of Governmental Activities	<u>\$ (138,052,966)</u>

The notes to the financial statements are an integral part of this statement.

Yonkers City School District, New York

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Charges for services	\$ 350,000	\$ 350,000	\$ 239,109	\$ (110,891)
Use of money and property	270,000	270,000	23,989	(246,011)
Sale of property and compensation for loss	1,600	1,600	20,740	19,140
Interfund revenues	446,344	446,344	313,559	(132,785)
State aid	342,807,186	342,807,186	321,118,121	(21,689,065)
Federal aid	814,900	814,900	10,252,506	9,437,606
Miscellaneous	930,000	930,000	5,046,846	4,116,846
Total Revenues	345,620,030	345,620,030	337,014,870	(8,605,160)
EXPENDITURES				
Current				
General support	42,596,590	44,010,140	40,975,711	3,034,429
Instruction	361,345,933	364,862,716	347,504,864	17,357,852
Pupil transportation	40,683,249	38,023,202	29,805,612	8,217,590
Community services	-	-	-	-
Employee benefits	157,193,042	151,722,374	147,852,158	3,870,216
Debt service				
Principal	1,438,572	1,438,572	1,438,572	-
Interest	195,080	195,462	195,398	-
Total Expenditures	603,452,466	600,252,466	567,772,315	32,480,151
Deficiency of Revenues Over Expenditures	<u>(257,832,436)</u>	<u>(254,632,436)</u>	<u>(230,757,445)</u>	<u>23,874,991</u>
OTHER FINANCING SOURCES (USES)				
Contribution from City of Yonkers	245,363,218	245,363,218	246,523,525	1,160,307
Transfers in	-	-	-	-
Transfers out	(1,495,200)	(4,695,200)	(2,850,907)	1,844,293
Total Other Financing Sources	243,868,018	240,668,018	243,672,618	3,004,600
Net Change in Fund Balances	(13,964,418)	(13,964,418)	12,915,173	26,879,591
FUND BALANCES (DEFICITS)				
Beginning of Year	13,964,418	13,964,418	41,369,445	27,405,027
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,284,618</u>	<u>\$ 54,284,618</u>

The notes to the financial statements are an integral part of this statement.

Special Aid Fund

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
26,416,202	27,928,451	27,780,607	(147,844)
30,326,842	33,336,343	20,195,892	(13,140,451)
1,023,064	1,023,064	318,119	(704,945)
<u>57,766,108</u>	<u>62,287,858</u>	<u>48,294,618</u>	<u>(13,993,240)</u>
249,363	400,107	310,201	89,906
54,729,207	59,100,061	42,175,092	16,924,969
318,500	318,500	94,093	224,407
472,785	472,937	400,020	72,917
3,491,453	3,491,453	3,420,089	71,364
-	-	-	-
-	-	-	-
<u>59,261,308</u>	<u>63,783,058</u>	<u>46,399,495</u>	<u>17,383,563</u>
<u>(1,495,200)</u>	<u>(1,495,200)</u>	<u>1,895,123</u>	<u>3,390,323</u>
-	-	-	-
1,495,200	1,495,200	1,495,200	-
-	-	-	-
<u>1,495,200</u>	<u>1,495,200</u>	<u>1,495,200</u>	<u>-</u>
-	-	3,390,323	3,390,323
-	-	(4,122,845)	(4,122,845)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (732,522)</u>	<u>\$ (732,522)</u>

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Yonkers City School District, New York

Notes to Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The Yonkers City School District, New York ("School District") as presently constituted, operates in accordance with the provisions of the Education Law of the State of New York ("Education Law"). The Board of Education ("Board") is the legislative body responsible for providing education services to the residents of the City of Yonkers, New York ("City"). The members of the Board are appointed by the Mayor.

The Board is, pursuant to Section 2551 of Education Law, a legally separate entity. However, the Board has no taxing power, cannot issue debt in its own name and relies solely upon the City for appropriations. In addition, effective June 30, 2014, the City and School District entered into an inter-municipal agreement ("IMA"). The IMA continues in perpetuity from the date of execution. The IMA requires that the City assume all School District finance and budget functions in consultation with the Superintendent of Schools and the Board. Additionally, the IMA gives the City the authority to consult on all labor contracts. The IMA also gives the City, in consultation with the Superintendent of Schools and the Board, the authority to supervise non-academic operational functions of the School District, as described in the IMA. Pursuant to the IMA, in connection with the adoption of its 2014-2015 budget, the City immediately absorbed the operations and expenses of various School District administrative functions. In addition, the IMA grants the authority to create, abolish, maintain and consolidate all positions in the non-academic operational functions described in the IMA. The School District retains the authority to create, abolish, maintain or consolidate positions which have a nexus to the academic activities of the School District, which do not fall within the scope of the finance and the budget functions and non-academic operational functions discussed in the IMA. Lastly, the IMA authorizes the City to implement a schedule of public hearings on the School District's budget, which must be held at least quarterly and must be held in consultation with the Superintendent of Schools and the Board. As such, the School District has determined that it is not a separate legal entity for financial reporting purposes pursuant to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, "*The Financial Reporting Entity*", as amended by GASB Statement No. 61, "*The Financial Reporting Entity-Omnibus*". The School District is reported as governmental funds, as appropriate, within the City's financial statements.

The Superintendent serves as the chief executive officer and is appointed by the Board. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

The accompanying financial statements present only the activities of the School District and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statements can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

While separate district-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows:

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal, State or local funds.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with grantor or contributor stipulations. Among the activities included in the Special Purpose Fund are extraclassroom activity funds.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. Fiduciary Fund (Not Included in District-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the School District on behalf of others. In accordance with the provisions of GASB Statement No. 84, "*Fiduciary Activities*", the School District had no such activity to report in this fund category.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made and the amounts are expected to be collected within one year of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement incentives and other pension obligations, compensated absences, net pension liability and other post employment benefit liability are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Substantially all of the School District's revenues are paid directly to and deposited with the City. Such amounts are commingled and invested with the City's funds and are therefore not included in the School District's balance sheets. The cash held by the School District relates to Extraclassroom Activity funds and are included within the Special Purpose Fund. The School District follows the cash and investment management policies of the City as follows:

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurement and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40, "*Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2021.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To City of Yonkers - During the course of its operations, the School District has numerous transactions with the City to finance operations, provide services and construct assets. To the extent that certain transactions between the School District and the City had not been paid or received as of June 30, 2021, balances of amounts receivable or payable have been recorded.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded.

Advances From/To Other Funds - Advances from/to other funds represent loans to other funds, which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the district-wide and fund financial statements. Prepaid expenses/expenditures consists of certain costs, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenues – Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the district-wide financial statements, unearned revenues consist of revenue received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$1,190,940 for State, Federal, and local aid received in advance in the Special Aid Fund. Such amounts have been deemed to be measureable but not “available” pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expense) until that time.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District reported deferred outflows of resources for a deferred loss on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is being deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District also reports deferred inflows of resources of \$1,547,827 for State aid and tuition that do not meet the availability criteria in the General Fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District also reported deferred outflows of resources and deferred inflows of resources in relation to its pension and other postemployment benefit liabilities in the district-wide financial statements. These amounts are detailed in the discussion of the School District's pension and other postemployment benefit liabilities in Note 3D.

Long-term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as General, Debt Service or Capital Projects funds expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation, sick and terminal leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*".

Other Post-Employment Benefit Liability ("OPEB") - In addition to providing pension benefits, the School District provides health care benefits for certain retired employees and their survivors. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*".

Net Position - Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for the School District includes restricted for capital projects, debt service, and special purposes.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balances - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law or the Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the School District removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board for amounts assigned for balancing the subsequent year's budget or delegated to the Commissioner of Finance for amounts assigned as encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

would report a positive unassigned fund balance. For all governmental funds other than the General Fund, any deficit fund balance is reported as unassigned.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Special Aid funds. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 1, 2021.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) The School District administration prepares a proposed budget for approval by the Board. The School District must submit the budget to the Mayor and City Council's Budget Committee by March 1st. The budget is included in the City's budget and must be approved by the City Council.
- b) The Charter requires the budget to be presented to the City Council by April 15th.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 2 - Stewardship, Compliance and Accountability (Continued)

- c) The School District budget is referred to the City Council's Budget Committee for deliberations and hearings.
- d) The City Council sets a date for a public hearing which is generally in May.
- e) After the public hearing, the City Council adopts the City budget, which includes appropriations and estimated revenues of the School District. By Charter, this may not be later than June 1st.
- f) The Fiscal Agent (State Comptroller), as defined by the Special Local Finance and Budget Act of New York State for the City of Yonkers ("Act"), reviews the City budget to determine the justification documents required. This Act limits budgeted expenditures to amounts not less than those of the previous audited year and requires revenues to be estimated at not more than those of the previous audited year, unless justification documents have been filed as support.
- g) After adoption, the Fiscal Agent certifies that the City budget is in compliance with the Act.
- h) Formal budgetary integration is employed during the year as a management control device for General, Special Aid, School Lunch and Debt Service funds.
- i) Budgets for General, Special Aid, School Lunch and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. An annual budget is not adopted for the Special Purpose Fund since other means control the use of these resources (e.g. grant awards) and sometimes span a period of more than one fiscal year.
- j) The legally adopted budget is controlled at the fund level of expenditures. Transfers between appropriation accounts require approval by the Superintendent. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations requires Board and City Council approval.
- k) Appropriations in General, Special Aid, School Lunch and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board.

B. Special Aid Fund Deficit

The deficit in the Special Aid Fund in the amount of \$732,522 resulted from the School District incurring expenditures prior to the formal execution of a grant contract with the Federal Government. The deficit will be eliminated upon the subsequent receipt of Federal aid.

C. Adoption of Accounting Standard

For the year ended June 30, 2021, the School District implemented the provisions of GASB Statement No. 84, "*Fiduciary Activities*". The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 2 - Stewardship, Compliance and Accountability (Continued)

and how those activities should be reported. The statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. As a result of the adoption of this standard, certain transactions previously reported in the Fiduciary Fund are now reflected within governmental funds.

D. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified to conform with the current year presentation with respect to the implementation of the provisions of GASB Statement No. 84.

E. Cumulative Effect of Change in Accounting Principle

The School District implemented the provisions of GASB Statement No.84, "*Fiduciary Activities*", for the year ended June 30, 2021. Certain amounts previously reported in the School District's Fiduciary Fund are now being reported within the Special Purpose Fund and/or the General Fund. As a result, the School District has reported a cumulative effect of change in accounting principle of \$317,232 to the July 1, 2019 fund balance of the Special Purpose Fund (the earliest year presented). The School District also reported on its Statement of Activities a cumulative effect of change in accounting principle of \$411,932 to the July 1, 2020 net position of governmental activities for this same reason.

F. Expenditures in Excess of Budget

The General Fund - Union welfare benefits expenditure category exceeded its authorization in the amount of \$72,922.

Note 3 - Detailed Notes on All Funds

A. Due From/To and Advances To/From Other Funds

The composition of interfund balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Advances To/From</u>
General	\$ 8,915,059	\$ 43,497,119	\$ 732,522
Special Aid	96,485	41,357	(732,522)
Capital Projects	42,963	1,459,386	-
Non-Major Governmental	<u>43,501,448</u>	<u>7,558,093</u>	<u>-</u>
	<u>\$ 52,555,955</u>	<u>\$ 52,555,955</u>	<u>\$ -</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

B. Capital Assets

Changes in the School District's capital assets are as follows:

Class	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets, not being depreciated:				
Land	\$ 6,597,219	\$ -	\$ -	\$ 6,597,219
Construction-in-progress	86,837,859	28,642,727	7,476,853	108,003,733
Total Capital Assets, not being depreciated	\$ 93,435,078	\$ 28,642,727	\$ 7,476,853	\$ 114,600,952
Capital assets, being depreciated:				
Buildings and Improvements	\$ 415,866,348	\$ 7,476,853	\$ -	\$ 423,343,201
Machinery and Equipment	3,454,257	37,872	164,400	3,327,729
Total Capital Assets, being depreciated	419,320,605	7,514,725	164,400	426,670,930
Less Accumulated Depreciation for:				
Buildings and Improvements	191,373,984	10,326,461	-	201,700,445
Machinery and Equipment	2,073,066	397,335	164,400	2,306,001
Total Accumulated Depreciation	193,447,050	10,723,796	164,400	204,006,446
Total Capital Assets, being depreciated, net	\$ 225,873,555	\$ (3,209,071)	\$ -	\$ 222,664,484
Capital Assets, net	\$ 319,308,633	\$ 25,433,656	\$ 7,476,853	\$ 337,265,436

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 5,574,970
Instruction	5,120,150
Cost of Food Sales	28,676
Total Depreciation Expense	\$ 10,723,796

C. Accrued Liabilities

Accrued liabilities at June 30, 2021 were as follows:

	Fund				Total
	General	Special Aid	Capital Projects	Non-Major Governmental	
Payroll and Employee Benefits	\$ 27,058,357	\$ 431,739	\$ -	\$ 275,891	\$ 27,765,987
Tuition	6,237,907	262,481	-	-	6,500,388
Other	3,243,774	-	2,896,133	15,587	6,155,494
	\$ 36,540,038	\$ 694,220	\$ 2,896,133	\$ 291,478	\$ 40,421,869

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

D. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2021	Due Within One-Year
Governmental Activities:					
Bonds Payable:					
General Obligation					
Capital Construction	\$ 157,960,000	\$ 33,175,000	\$ 10,355,000	\$ 180,780,000	\$ 11,840,000
Deficit Financing	22,406,000	-	4,086,000	18,320,000	4,240,000
	180,366,000	33,175,000	14,441,000	199,100,000	16,080,000
Direct Placement	7,000,000	-	1,000,000	6,000,000	1,000,000
	187,366,000	33,175,000	15,441,000	205,100,000	17,080,000
Unamortized Premium on Bonds	18,779,262	6,927,800	2,657,429	23,049,633	-
	206,145,262	40,102,800	18,098,429	228,149,633	17,080,000
Notes Payable	6,774,863	-	1,438,572	5,336,291	1,501,399
State Loan Payable	2,000,000	-	200,000	1,800,000	200,000
Other Non-current Liabilities:					
Retirement Incentives and					
Other Pension Obligations	11,936,775	-	2,044,637	9,892,138	2,008,655
Compensated Absences	21,077,308	986,761	2,108,000	19,956,069	1,946,000
Net Pension Liability - ERS	59,896,273	-	59,672,944	223,329	-
Net Pension Liability (Asset) - TRS	(39,494,688)	81,930,313	-	42,435,625	-
Other Post Employment Benefit Liability	2,026,614,308	268,357,524	37,194,534	2,257,777,298	-
Total Other Non-current Liabilities	2,080,029,976	351,274,598	101,020,115	2,330,284,459	3,954,655
Governmental Activities					
Total Long-Term Liabilities	<u>\$ 2,294,950,101</u>	<u>\$ 391,377,398</u>	<u>\$ 120,757,116</u>	<u>\$ 2,565,570,383</u>	<u>\$ 22,736,054</u>

The liabilities for notes payable, retirement incentives and other pension obligations, compensated absences, net pension liability and other post employment benefit liability are liquidated by the respective fund, primarily the General Fund. The School District's indebtedness for general obligation bonds and State loans payable is satisfied by the Debt Service Fund, which is funded primarily by the General Fund.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at June 30, 2021 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2021
General Obligation					
District-wide Construction	2011	\$ 12,555,000	October, 2021	5.000 %	\$ 820,000
District-wide Construction	2012	26,590,000	August, 2025	3.000	12,255,000
Refunding	2015	14,430,000	September, 2027	2.5 - 5.000	8,940,000
District-wide Construction	2015	21,355,000	October, 2029	2.75 - 3.000	14,640,000
District-wide Construction	2016	18,370,000	September, 2027	3.141-4.741	12,605,000
District-wide Construction	2016	15,525,000	November, 2036	3.0 - 5.000	13,215,000
District-wide Construction	2017	20,405,000	June, 2038	2.75 - 5.000	18,935,000
Refunding-Deficit Financing	2017	22,132,000	October, 2024	5.000	18,320,000
Refunding	2017	17,255,000	June, 2031	3.0 - 5.000	14,185,000
District-wide Construction	2019	52,775,000	May, 2039	4.0 - 5.000	52,010,000
District-wide Construction	2021	33,175,000	February 2041	2.0 - 5.000	33,175,000
					<u>199,100,000</u>
Direct Placement					
Qualified School Construction Bonds	2011	15,000,000	December, 2026	5.750	<u>6,000,000</u>
					<u>\$ 205,100,000</u>

Interest expenditures of \$8,734,654 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$5,814,378 was recorded in the district-wide financial statements.

Notes Payable

During 2009, the School District entered into a contractual agreement for the acquisition of energy efficient equipment to assist the School District in reducing its ongoing energy costs. The terms of the agreement provide for annual installments of \$793,596, including interest at 2.32%, through October, 2024. The balance due at June 30, 2021 was \$2,998,202

During 2011, the School District entered into a second contractual agreement to finance energy savings upgrades. The terms of the agreement provide for semi-annual installments in varying amounts from \$310,515 to \$443,505, including interest at 3.77%, through February, 2024. The balance due at June 30, 2021 was \$2,338,089.

Interest expenditures of \$195,398 were recorded in the fund financial statement in the General Fund. Interest expense of \$209,641 was recorded in the district-wide financial statements.

State Loan Payable

The State of New York, pursuant to Chapter 88 of the Laws of 2000, accelerated \$6 million of State aid during the 1999-2000 fiscal year. In each of the subsequent 30 years, the aid formula

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

enumerated in the statutes will reduce the accelerated portion by \$200,000 per year. This loan is interest free. Accordingly, at June 30, 2021, the School District has recorded a liability of \$1,800,000.

The provisions of the statute also require the School District's chief fiscal officer to monitor all budgets and prepare a quarterly report depicting revenue and expenditure trends. The reports require recommended remedial action by the Superintendent, if necessary, to resolve any unfavorable budget variances. The reports are to be submitted within sixty days after the end of the quarter to the Board, the State Division of the Budget, the State Comptroller, the Commissioner of Education, the Chairman of the Assembly Ways and Means Committee and the Chairman of the Senate Finance Committee.

Payments to Maturity

The annual requirements to amortize all outstanding bond, notes and State loan debt as of June 30, 2021, including interest payments of \$63,216,752 are as follows:

Year Ending June 30,	General Obligation Bonds		Direct Placement Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 16,080,000	\$ 7,924,821	\$ 1,000,000	\$ 316,250	\$ 1,501,399	150,646
2023	17,585,000	7,241,775	1,000,000	258,750	1,566,931	104,061
2024	18,315,000	6,511,219	1,000,000	201,250	1,492,390	55,225
2025	18,425,000	5,758,800	1,000,000	143,750	775,571	18,023
2026	14,060,000	5,079,788	1,000,000	86,250	-	-
2027-2031	49,975,000	18,120,981	1,000,000	28,750	-	-
2032-2036	37,395,000	9,239,788	-	-	-	-
2037-2041	27,265,000	1,976,625	-	-	-	-
	<u>\$ 199,100,000</u>	<u>\$ 61,853,797</u>	<u>\$ 6,000,000</u>	<u>\$ 1,035,000</u>	<u>\$ 5,336,291</u>	<u>\$ 327,955</u>

Year Ending June 30,	State Loan	Total	
	Principal	Principal	Interest
2022	\$ 200,000	\$ 18,781,399	\$ 8,391,717
2023	200,000	20,351,931	7,604,586
2024	200,000	21,007,390	6,767,694
2025	200,000	20,400,571	5,920,573
2026	200,000	15,260,000	5,166,038
2027-2031	800,000	51,775,000	18,149,731
2032-2036	-	37,395,000	9,239,788
2037-2041	-	27,265,000	1,976,625
	<u>\$ 1,800,000</u>	<u>\$ 212,236,291</u>	<u>\$ 63,216,752</u>

The above bonds, notes payable and State loan and are direct borrowings of the City and School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

Prior Year Defeasance of Debt

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds or certain defined revenues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and the liability for the defeased bonds

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

are not included in the School District's financial statements. At June 30, 2021, \$5,730,000 of the bonds are considered defeased.

Retirement Incentives and Other Pension Obligations

The State Legislature enacted Chapter 57 of the Laws of 2010. This chapter authorized local governments, at their option, to amortize a portion of their respective ERS contributions beginning in 2010. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rates as compared to the System's overall graded rate. The amortized amounts are to be paid in equal installments over a ten year period, although amounts may be prepaid at any time. Interest will be charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The School District has elected to amortize the maximum allowable ERS contribution in each of the fiscal years since this option was first offered up until June 30, 2019 and excluding the June 30, 2011 year end. The amount required to be amortized under this option during the 2020-21 fiscal year was \$2,450,093, including interest of \$405,456 and was charged to the General Fund. The balance due at June 30, 2021 was \$9,892,138.

	Original Amount Amortized	Current Year Payments	Principal Balance Due	Due Within One Year
2009-2010 ERS	\$ 829,817	\$ 106,811	\$ -	\$ -
2011-2012 ERS	2,236,786	271,104	262,511	262,511
2012-2013 ERS	4,122,338	481,481	924,715	455,522
2013-2014 ERS	5,112,072	537,144	2,407,479	446,623
2014-2015 ERS	5,861,562	606,578	3,232,181	493,451
2015-2016 ERS	2,059,587	209,902	1,297,875	167,798
2016-2017 ERS	1,213,378	119,222	850,118	96,864
2017-2018 ERS	867,826	88,805	681,555	66,245
2018-2019 ERS	272,754	29,046	235,704	19,641
	<u>\$ 22,576,120</u>	<u>\$ 2,450,093</u>	<u>\$ 9,892,138</u>	<u>\$ 2,008,655</u>

Compensated Absences

School District employees earn vacation leave based upon the terms of the respective collective bargaining agreements. Civil service employees, teamsters and central administrators, upon separation of service from the School District, will be compensated for unused vacation time as provided in their bargaining agreements. Civil service employees, with at least 20 years of service to the School District, are entitled to terminal leave upon separation. Eligible employees receive pay equivalent to 30 work days plus 1-1/2 day's additional pay for each year over twenty years of service. Commencing with the 2005-06 fiscal year, employees who have ten years or more of consecutive service shall be entitled to payment for their accumulated unused sick days upon retirement as follows: day's 1-49 \$10/day, day's 50-99 \$20/day, day's 100-149 \$30/day and day's 150-200 \$40/day. Additionally, teachers and building administrators with at least 20 years of service to the School District are also entitled to payment for accumulated unused sick days upon retirement. The amount paid to teachers for each accumulated day is based on the number of days

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

accumulated. The amount to be paid to building administrators is \$200 per day. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

New York State and Local Employees' Retirement System and Teachers' Retirement System

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The School District also participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rates for the plans' year ending in 2021 are as follows:

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75E	19.6 %
	1 75I	21.6
	3 A14	16.2
	4 A15	16.2
	5 A15	13.5
	6 A15	9.7
TRS	1-6	9.53 %

At June 30, 2021, the School District reported the following for its proportionate share of the net pension liability for ERS and TRS:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Net pension liability	\$ 223,329	\$ 42,435,625
School Districts' proportion of the net pension liability	0.2242850 %	1.535703 %
Change in proportion since the prior measurement date	(0.0019044) %	0.015511 %

The net pension liability was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS and the total pension liability used to calculate the net pension liability were determined by actuarial valuations as of those dates. The School District's proportion of the net pension liability for ERS was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. The School District's proportion of the net pension liability for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

For the year ended June 30, 2021, the School District recognized pension expense in the district-wide financial statements of \$62,652,844 (\$5,710,124 for ERS and \$56,942,720 for TRS). Pension expenditures (exclusive of incentive payments) were recorded in the fund financial statements as follows:

<u>Fund</u>	<u>ERS</u>	<u>TRS</u>
General	\$ 8,958,931	\$ 22,273,426
Special Aid	412,775	2,739,948
School Lunch	681,403	-
Total	<u>\$ 10,053,109</u>	<u>\$ 25,013,374</u>

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2021, the School District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,727,458	\$ -	\$ 37,182,098	\$ 2,174,744
Changes of assumptions	41,063,092	774,462	53,671,189	19,130,975
Net difference between projected and actual earnings on pension plan investments	-	64,153,384	27,714,183	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,065,008	856,499	95,108	2,243,343
School District contributions subsequent to the measurement date	2,515,044	-	24,721,849	-
	<u>\$ 48,370,602</u>	<u>\$ 65,784,345</u>	<u>\$ 143,384,427</u>	<u>\$ 23,549,062</u>
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 39,909,556	\$ 2,174,744		
Changes of assumptions	94,734,281	19,905,437		
Net difference between projected and actual earnings on pension plan investments	27,714,183	64,153,384		
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,160,116	3,099,842		
School District contributions subsequent to the measurement date	27,236,893	-		
	<u>\$ 191,755,029</u>	<u>\$ 89,333,407</u>		

\$2,515,044 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2022. The \$24,721,849 reported as deferred outflows of resources related to TRS will be recognized as a decrease of the net pension liability in the plan's year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:

Year Ended	March 31,	June 30,
	ERS	TRS
2021	\$ -	\$ 16,062,201
2022	(3,392,994)	32,901,708
2023	(934,860)	26,934,633
2024	(3,380,381)	16,768,528
2025	(12,220,552)	618,598
Thereafter	-	1,827,848
	<u>\$ (19,928,787)</u>	<u>\$ 95,113,516</u>

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the ERS and TRS measurement dates were determined by using actuarial valuation dates as noted below, with update procedures used to roll forward the total pension liabilities to those measurement dates. Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Investment rate of return	5.9% *	7.10% *
Salary scale	4.4%	1.90%-4.72%
Inflation rate	2.7%	2.2%
Cost of living adjustments	1.4%	1.3%

*Compounded annually, net of pension plan investment expenses, including inflation.

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the ERS valuation were based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. The actuarial assumptions used in the TRS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is summarized in the following table:

Asset Type	ERS March 31, 2021		TRS June 30, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32 %	4.05 %	33 %	7.1 %
International Equity	15	6.30	16	7.7
Private Equity	10	6.75	8	10.4
Real Estate	9	4.95	11	6.8
Domestic Fixed Income Securities	-	-	16	1.8
Global Fixed Income Securities	-	-	2	1.0
High Yield Fixed Income Securities	-	-	1	3.9
Global Equities	-	-	4	7.4
Private Debt	-	-	1	5.2
Real Estate Debt	-	-	7	3.6
Opportunistic/ARS Portfolio	3	4.50	-	-
Credit	4	3.63	-	-
Real Assets	3	5.95	-	-
Fixed Income	23	-	-	-
Cash	1	0.50	1	0.7
	<u>100 %</u>		<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.7% for ERS and 2.2% for TRS.

The discount rate used to calculate the total pension liability was 5.9% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.9% for ERS and 7.1% for TRS, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (4.9% for ERS and 6.1% for TRS) or 1 percentage point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
School District's proportionate share of the ERS net pension liability (asset)	\$ 61,987,630	\$ 223,329	\$ (56,737,811)
	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
School District's proportionate share of the TRS net pension liability (asset)	\$ 268,051,220	\$ 42,435,625	\$ (146,913,035)

The components of the collective net pension liability as of the March 31, 2021 ERS measurement date and the June 30, 2020 TRS measurement date were as follows:

	ERS	TRS
Total pension liability	\$ 220,680,157,000	\$ 123,242,776,215
Fiduciary net position	220,580,583,000	120,479,505,380
Employers' net pension liability	\$ 99,574,000	\$ 2,763,270,835
Fiduciary net position as a percentage of total pension liability	99.95%	97.76%

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

Employer and employee contributions for the year ended June 30, 2021 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS.

Accrued retirement contributions as of June 30, 2021 were \$2,515,044 to ERS and \$27,352,744 to TRS, including employee contributions of \$2,339,370.

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

Employer contributions vest after 365 days of service. No current employees participated in this program.

Other Postemployment Benefit Liability (“OPEB”)

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing postemployment health care benefits is shared between the School District and the retired employee as noted below. Substantially all of the School District’s employees may become eligible for those benefits if they reach normal retirement age while working for the School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*”, so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	2,449
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>3,323</u>
	<u><u>5,772</u></u>

The School District’s total OPEB liability of \$2,257,777,298 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0%, average, including inflation
Discount rate	2.09%
Healthcare cost trend rates	7.0% for 2021, decreasing 0.25% per year to an ultimate rate of 4.5% for 2031 and later years
Retirees' share of benefit-related costs	Varies from 0% to 10.0%, depending on applicable retirement year and bargaining unit

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buyer – 20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2021.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 315,681,893	\$ -
Differences between expected and actual experience	<u>-</u>	<u>-</u>
	<u>\$ 315,681,893</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u>	
2022	\$ 60,643,693
2023	60,643,693
2024	60,643,693
2025	60,643,693
2026	53,678,683
Thereafter	<u>19,428,438</u>
	<u>\$ 315,681,893</u>

E. Revenues and Expenditures

Contribution from City of Yonkers

The School District is funded by State aid, charges for services and other miscellaneous revenues. The balance of the funding is provided by a contribution from the City. For the year ended June 30, 2021, the City has dedicated \$270,802,576 to fund the educational programs and debt service obligations of the School District.

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>Special Aid Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ 1,495,200	\$ 1,355,707	\$ 2,850,907
Capital Projects	<u>-</u>	<u>200</u>	<u>200</u>
	<u>\$ 1,495,200</u>	<u>\$ 1,355,907</u>	<u>\$ 2,851,107</u>

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

Transfers are used to move amounts earmarked in the operating funds to 1) fulfill commitments for Special Aid and School Lunch funds expenditures and 2) transfer funds for completed capital projects to the debt service fund.

F. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amount restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Restricted for Special Purpose - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2021					2020				
	General Fund	Special Aid Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Special Aid Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable:										
Inventories	\$ -	\$ -	\$ -	\$ 335,471	\$ 335,471	\$ -	\$ -	\$ -	\$ 189,308	\$ 189,308
Advances	732,522	-	-	-	732,522	4,122,845	-	-	-	4,122,845
Prepaid expenditures	598	-	-	-	598	18,459	-	-	-	18,459
Total Nonspendable	733,120	-	-	335,471	1,068,591	4,141,304	-	-	189,308	4,330,612
Restricted:										
Debt service	-	-	-	105,206	105,206	-	-	-	399,621	399,621
Debt service - for subsequent years expenditures	-	-	-	399,621	399,621	-	-	-	96,603	96,603
Capital projects	-	-	52,785,858	-	52,785,858	-	-	46,403,793	-	46,403,793
Special purpose (1)	-	-	-	752,439	752,439	-	-	-	775,878	775,878
Total Restricted	-	-	52,785,858	1,257,266	54,043,124	-	-	46,403,793	1,272,102	47,675,895
Assigned:										
Purchases on order:										
General government support	513,537	-	-	-	513,537	1,106,245	-	-	-	1,106,245
Instruction	123,736	-	-	-	123,736	140,352	-	-	-	140,352
	637,273	-	-	-	637,273	1,246,597	-	-	-	1,246,597
Subsequent year's expenditures	8,372,146	-	-	-	8,372,146	12,717,821	-	-	275,697	12,993,518
School Lunch Fund	-	-	-	604,366	604,366	-	-	-	474,832	474,832
Total Assigned	9,009,419	-	-	604,366	9,613,785	13,964,418	-	-	750,529	14,714,947
Unassigned	44,542,079	(732,522)	-	-	43,809,557	23,263,723	(4,122,845)	-	-	19,140,878
Total Fund Balances (Deficits)	\$ 54,284,618	\$ (732,522)	\$ 52,785,858	\$ 2,197,103	\$ 108,535,057	\$ 41,369,445	\$ (4,122,845)	\$ 46,403,793	\$ 2,211,939	\$ 85,862,332

(1) Balance at June 30, 2020 restated for the implementation of the provisions of GASB Statement No 84, "Fiduciary Activities".

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Advances have been established to indicate the long-term nature of funds advanced to the Special Aid Fund. The amount is classified as nonspendable to indicate that these funds do not represent "available" spendable resources even though they are a component of current assets.

Prepaid expenditures represents certain payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2021, the School District has utilized the above amount to be appropriated for the ensuing year's budget.

Assigned for School Lunch Fund represents the component of fund balance that reports the difference between assets and liabilities of the School Lunch Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned. Unassigned fund balance in the Special Aid Fund represents expenditures in excess of revenues in certain grants.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are several employment discrimination and tort claims that have been filed against the School District, which are in various stages and are either awaiting trial or judgment. The City is self-insured with respect to most tort and workers' compensation matters for both the City and School District. The City's actuarial consultant provides an analysis of loss experience. The government-wide financial statements of the City reflects general and workers' compensation claims which are based upon estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred but not reported. Because the City defends all claims and pays all judgments or settlements arising from workers' compensation claims and liability torts, no amounts have been recorded in the School District's financial statements.

Yonkers City School District, New York

Notes to Financial Statements (Continued)
June 30, 2021

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any to be immaterial.

C. Risk Management

Property, Automobile and Errors and Omissions

The School District purchases conventional insurance coverage to reduce its exposure to loss. The School District maintains property and casualty insurance to reduce its exposure to loss from damage or fire to School District owned properties. The School District also maintains an automobile policy with coverage up to \$1 million per occurrence and an excess policy with coverage up to \$4 million. The School District maintains a policy for school leaders errors and omissions with coverage up to \$5 million in the aggregate and a policy for student professional liability with coverage up to \$3 million in the aggregate. Additionally, the School District maintains a student accident policy. Settled claims resulting from those risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Workers' Compensation and Liability Claims

The City defends all claims and pays all judgments or settlements arising from workers' compensation claims and liability torts.

Health Benefits

The School District purchases conventional health insurance coverage for all full-time School District employees and retirees.

Note 5 - Recently Issued GASB Pronouncements

GASB Statement No. 87, "Leases", as amended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", establishes a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. As such, this Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. A lessor will be required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Yonkers City School District, New York

Notes to Financial Statements (Concluded)
June 30, 2021

Note 5 - Recently Issued GASB Pronouncements (Continued)

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the School District believes will most impact its financial statements. The School District will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 6 - Subsequent Event

The City of Yonkers Industrial Development Agency, on August 27, 2021, issued \$25,000,000 School Facility Revenue Bonds, due in annual installments through 2051, with interest rates ranging from 4.0% - 5.0%, depending on maturity. The bonds were issued pursuant to the Yonkers City School District Joint Schools Construction and Modernization Act to provide money to finance the costs of construction of new community school facilities for use by the School District.

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Yonkers City School District, New York

Required Supplementary Information - Schedule of Changes in the
School District's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years (1) (2)

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 63,047,156	\$ 54,120,606	\$ 21,687,335	\$ 21,055,665
Interest	41,967,556	41,481,564	58,012,600	56,562,154
Changes of assumptions or other inputs	163,342,812 (5)	249,640,738 (4)	-	-
Benefit payments	(37,194,534)	(37,385,359)	(36,892,086)	(35,460,915)
Net Change in Total OPEB Liability	231,162,990	307,857,549	42,807,849	42,156,904
Total OPEB Liability – Beginning of Year	<u>2,026,614,308</u>	<u>1,718,756,759</u>	<u>1,675,948,910</u>	<u>1,633,792,006 (3)</u>
Total OPEB Liability – End of Year	<u>\$ 2,257,777,298</u>	<u>\$ 2,026,614,308</u>	<u>\$ 1,718,756,759</u>	<u>\$ 1,675,948,910</u>
School District's covered-employee payroll	<u>\$ 325,807,641</u>	<u>\$ 304,739,588</u>	<u>\$ 297,094,732</u>	<u>\$ 279,031,345</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>692.98%</u>	<u>665.03%</u>	<u>578.52%</u>	<u>600.63%</u>

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

(2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of this Statement to pay related benefits.

(3) Restated for the implementation of the provisions of GASB Statement No. 75.

(4) Discount rate decreased from 3.50% in 2019 to 2.44% in 2020.

(5) Discount rate decreased from 2.44% in 2020 to 2.09% in 2021.

Yonkers City School District, New York

Required Supplementary Information
 New York State Teachers' Retirement System
 Last Ten Fiscal Years (1)

Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) (2)

	2021 (6)	2020 (5)	2019	2018 (4)	2017 (3)	2016	2015
School District's proportion of the net pension liability (asset)	<u>1.535703%</u>	<u>1.520192%</u>	<u>1.521210%</u>	<u>1.516748%</u>	<u>1.481040%</u>	<u>1.475492%</u>	<u>1.447884%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 42,435,625</u>	<u>\$ (39,494,688)</u>	<u>\$ (27,507,493)</u>	<u>\$ (11,528,794)</u>	<u>\$ 15,862,559</u>	<u>\$ (153,256,641)</u>	<u>\$ (164,733,013)</u>
School District's covered payroll	<u>\$ 260,657,438</u>	<u>\$ 253,744,746</u>	<u>\$ 248,808,490</u>	<u>\$ 240,090,469</u>	<u>\$ 228,539,404</u>	<u>\$ 221,638,990</u>	<u>\$ 207,758,212</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>16%</u>	<u>(15.56)%</u>	<u>(11.06)%</u>	<u>(4.80)%</u>	<u>6.94%</u>	<u>(69.15)%</u>	<u>(79.29)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.76%</u>	<u>102.17%</u>	<u>101.53%</u>	<u>100.66%</u>	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

Schedule of Contributions

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	<u>\$ 24,721,849</u>	<u>\$ 23,094,249</u>	<u>\$ 26,947,692</u>	<u>\$ 24,383,232</u>	<u>\$ 28,138,603</u>	<u>\$ 30,304,325</u>	<u>\$ 38,853,314</u>
Contributions in relation to the contractually required contribution	<u>(24,721,849)</u>	<u>(23,094,249)</u>	<u>(26,947,692)</u>	<u>(24,383,232)</u>	<u>(28,138,603)</u>	<u>(30,304,325)</u>	<u>(38,853,314)</u>
Contribution excess	<u>\$ -</u>						
School District's covered payroll	<u>\$ 259,410,797</u>	<u>\$ 260,657,438</u>	<u>\$ 253,744,746</u>	<u>\$ 248,808,490</u>	<u>\$ 240,090,469</u>	<u>\$ 228,539,404</u>	<u>\$ 221,638,990</u>
Contributions as a percentage of covered payroll	<u>9.53%</u>	<u>8.86%</u>	<u>10.62%</u>	<u>9.80%</u>	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions".

(2) The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(3) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

(4) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date.

(5) The discount rate used to calculate the total pension liability was decreased from 7.25% to 7.1% effective with the June 30, 2019 measurement date.

(6) Increase in the School District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

See independent auditors' report.

Yonkers City School District, New York

Required Supplementary Information
 New York State and Local Employees' Retirement System
 Last Ten Fiscal Years (1)

Schedule of the School District's Proportionate Share of the Net Pension Liability (2)							
	2021 (6)	2020 (4)(5)	2019	2018	2017	2016 (3)	2015
School District's proportion of the net pension liability	0.2242850%	0.2261894%	0.2411714%	0.2249983%	0.2365530%	0.2305044%	0.2600000%
School District's proportionate share of the net pension liability	\$ 223,329	\$ 59,896,273	\$ 17,087,728	\$ 7,261,697	\$ 22,227,049	\$ 36,996,600	\$ 8,667,336
School District's covered payroll	\$ 68,418,596	\$ 68,348,725	\$ 68,558,288	\$ 69,455,634	\$ 63,494,500	\$ 64,732,543	\$ 62,258,485
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.33%	87.63%	24.92%	10.46%	35.01%	57.15%	13.92%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

Schedule of Contributions							
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,128,690	\$ 9,722,310	\$ 9,815,900	\$ 9,413,104	\$ 9,761,360	\$ 9,908,281	\$ 13,039,579
Contributions in relation to the contractually required contribution	10,128,690	(9,722,310)	(9,815,900)	(9,413,104)	(9,761,360)	(9,908,281)	(13,039,579)
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 67,989,348	\$ 71,277,833	\$ 69,124,236	\$ 70,709,569	\$ 63,816,965	\$ 62,967,109	\$ 60,571,468
Contributions as a percentage of covered payroll	14.90%	13.64%	14.20%	13.31%	15.30%	15.74%	21.53%

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions".

(2) The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(3) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

(4) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(5) Increase in the School District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

(6) Decrease in the School District's proportionate share of the net position liability mainly attributable to increase in plan fiduciary net position due to investment gains, partially offset by a decrease in the discount rate from 6.8% to 5.9% effective with the March 31, 2021 measurement date.

See independent auditors' report.

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Yonkers City School District, New York

General Fund
 Comparative Balance Sheet
 June 30,

	2021	2020
ASSETS		
Receivables		
Accounts	\$ 2,482,138	\$ 10,822,733
State and Federal aid	80,756,090	74,201,962
Due from City of Yonkers	110,118,364	82,726,234
Due from other funds	8,915,059	3,236,703
Advances to other funds	732,522	4,122,845
Prepaid expenditures	598	18,459
	<u>598</u>	<u>18,459</u>
Total Assets	<u>\$ 203,004,771</u>	<u>\$ 175,128,936</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 35,886,648	\$ 21,389,180
Accrued liabilities	36,540,038	35,293,027
Due to other governments	742,264	533,595
Due to retirement systems	29,867,788	29,926,912
Due to other funds	43,497,119	42,528,460
Overpayments	638,469	438,188
	<u>638,469</u>	<u>438,188</u>
Total Liabilities	147,172,326	130,109,362
Deferred inflows of resources		
Deferred revenues	1,547,827	3,650,129
	<u>1,547,827</u>	<u>3,650,129</u>
Total Liabilities and Deferred inflows of Resources	<u>148,720,153</u>	<u>133,759,491</u>
Fund balance		
Nonspendable	733,120	4,141,304
Assigned	9,009,419	13,964,418
Unassigned	44,542,079	23,263,723
	<u>44,542,079</u>	<u>23,263,723</u>
Total Fund Balance	<u>54,284,618</u>	<u>41,369,445</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 203,004,771</u>	<u>\$ 175,128,936</u>

See independent auditors' report.

Yonkers City School District, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Years Ended June 30,

	2021				
	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget
REVENUES					
Charges for services	\$ 350,000	\$ 350,000	\$ 239,109	\$	\$ (110,891)
Use of money and property	270,000	270,000	23,989		(246,011)
Sale of property and compensation for loss	1,600	1,600	20,740		19,140
Interfund revenues	446,344	446,344	313,559		(132,785)
State aid	342,807,186	342,807,186	321,118,121		(21,689,065)
Federal aid	814,900	814,900	10,252,506		9,437,606
Miscellaneous	930,000	930,000	5,046,846		4,116,846
Total Revenues	345,620,030	345,620,030	337,014,870		(8,605,160)
EXPENDITURES					
Current					
General support					
Board of education	293,115	296,803	249,995	-	46,808
Central administration	835,074	835,074	779,071	-	56,003
Finance	143,490	143,490	142,350	-	1,140
Central services	40,146,022	41,477,040	38,552,324	517,160	2,407,556
Special items	1,178,889	1,257,733	1,251,971	-	5,762
Total General Support	42,596,590	44,010,140	40,975,711	517,160	2,517,269
Instruction					
Instruction, administration and improvement	32,704,210	33,428,053	32,255,261	38,853	1,133,939
Teaching - Regular school	192,665,924	195,540,925	189,046,626	21,535	6,472,764
Programs for students with disabilities	105,183,756	104,143,066	97,430,267	-	6,712,799
Occupational education	6,765,302	6,877,424	6,734,006	4,907	138,511
Instructional media	1,901,864	2,292,363	2,232,490	156	59,717
Pupil services	22,124,877	22,580,885	19,806,214	54,662	2,720,009
Total Instruction	361,345,933	364,862,716	347,504,864	120,113	17,237,739
Pupil transportation	40,683,249	38,023,202	29,805,612	-	8,217,590
Employee benefits	157,193,042	151,722,374	147,852,158	-	3,870,216
Debt service					
Principal	1,438,572	1,438,572	1,438,572	-	-
Interest	195,080	195,462	195,398	-	64
Total Debt Service	1,633,652	1,634,034	1,633,970	-	64
Total Expenditures	603,452,466	600,252,466	567,772,315	637,273	31,842,878
Deficiency of Revenues Over Expenditures	(257,832,436)	(254,632,436)	(230,757,445)	(637,273)	23,237,718
OTHER FINANCING SOURCES (USES)					
Contribution from City of Yonkers	245,363,218	245,363,218	246,523,525	-	1,160,307
Transfers out	(1,495,200)	(4,695,200)	(2,850,907)	-	1,844,293
Total Other Financing Sources	243,868,018	240,668,018	243,672,618	-	3,004,600
Net Change in Fund Balance	(13,964,418)	(13,964,418)	12,915,173	\$ (637,273)	\$ 26,242,318
FUND BALANCE					
Beginning of Year	13,964,418	13,964,418	41,369,445		
End of Year	\$ -	\$ -	\$ 54,284,618		

See independent auditors' report.

2020

Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget
\$ 353,854	\$ 353,854	\$ 578,198	\$	\$ 224,344
255,000	255,000	162,912		(92,088)
1,600	1,600	1,500		(100)
416,455	416,455	328,076		(88,379)
338,906,553	339,506,553	338,670,212		(836,341)
814,900	814,900	1,033,722		218,822
930,000	930,000	2,468,446		1,538,446
<u>341,678,362</u>	<u>342,278,362</u>	<u>343,243,066</u>		<u>964,704</u>
291,319	291,317	243,291	114	47,912
814,231	884,346	879,102	-	5,244
153,600	153,600	129,720	-	23,880
38,598,806	38,789,121	35,940,162	1,106,131	1,742,828
1,122,751	1,122,751	1,120,120	-	2,631
<u>40,980,707</u>	<u>41,241,135</u>	<u>38,312,395</u>	<u>1,106,245</u>	<u>1,822,495</u>
32,335,889	32,930,652	32,291,855	-	638,797
189,786,366	189,332,161	187,122,949	47,204	2,162,008
99,504,042	100,515,787	95,700,869	7,966	4,806,952
6,715,905	6,678,826	6,640,079	4,775	33,972
1,816,066	2,201,383	2,128,175	194	73,014
21,947,567	21,469,064	19,630,069	80,213	1,758,782
<u>352,105,835</u>	<u>353,127,873</u>	<u>343,513,996</u>	<u>140,352</u>	<u>9,473,525</u>
<u>38,534,461</u>	<u>36,399,819</u>	<u>27,079,128</u>	<u>-</u>	<u>9,320,691</u>
<u>158,387,305</u>	<u>157,739,481</u>	<u>154,502,301</u>	<u>-</u>	<u>3,237,180</u>
1,378,339	1,378,339	1,378,339	-	-
237,454	237,454	237,454	-	-
<u>1,615,793</u>	<u>1,615,793</u>	<u>1,615,793</u>	<u>-</u>	<u>-</u>
<u>591,624,101</u>	<u>590,124,101</u>	<u>565,023,613</u>	<u>1,246,597</u>	<u>23,853,891</u>
<u>(249,945,739)</u>	<u>(247,845,739)</u>	<u>(221,780,547)</u>	<u>(1,246,597)</u>	<u>24,818,595</u>
243,345,359	243,345,359	243,345,359	-	-
(1,495,200)	(3,595,200)	(3,526,075)	-	69,125
<u>241,850,159</u>	<u>239,750,159</u>	<u>239,819,284</u>	<u>-</u>	<u>69,125</u>
<u>(8,095,580)</u>	<u>(8,095,580)</u>	<u>18,038,737</u>	<u>\$ (1,246,597)</u>	<u>\$ 24,887,720</u>
<u>8,095,580</u>	<u>8,095,580</u>	<u>23,330,708</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,369,445</u>		

Yonkers City School District, New York

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
CHARGES FOR SERVICES				
Day school tuition	\$ 185,000	\$ 185,000	\$ -	\$ (185,000)
Summer school tuition - Individuals	4,000	4,000	-	(4,000)
Health services for other districts	160,000	160,000	237,786	77,786
Other	1,000	1,000	1,323	323
	<u>350,000</u>	<u>350,000</u>	<u>239,109</u>	<u>(110,891)</u>
USE OF MONEY AND PROPERTY				
Rental of real property - Individuals	180,000	180,000	3,800	(176,200)
Rental - Other governments	90,000	90,000	20,189	(69,811)
	<u>270,000</u>	<u>270,000</u>	<u>23,989</u>	<u>(246,011)</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Other	1,600	1,600	20,740	19,140
	<u>446,344</u>	<u>446,344</u>	<u>313,559</u>	<u>(132,785)</u>
INTERFUND REVENUES				
STATE AID				
Basic formula	276,331,144	261,331,144	238,193,390	(23,137,754)
Lottery	46,147,901	61,147,901	62,592,493	1,444,592
Educational improvement plan	17,500,000	17,500,000	17,500,000	-
Textbooks	1,789,615	1,789,615	1,792,411	2,796
Computer software	858,670	858,670	859,746	1,076
Library materials	179,856	179,856	180,081	225
	<u>342,807,186</u>	<u>342,807,186</u>	<u>321,118,121</u>	<u>(21,689,065)</u>

FEDERAL AID

Elementary and Secondary School Emergency

Relief Fund (CARES)	-	-	8,167,486	8,167,486
Governor's Emergency Education Relief Fund (CARES)	-	-	1,368,114	1,368,114
Medical assistance	800,000	800,000	685,258	(114,742)
Impact aid	14,900	14,900	31,648	16,748
	<u>814,900</u>	<u>814,900</u>	<u>10,252,506</u>	<u>9,437,606</u>

MISCELLANEOUS

Refund of prior year's expenditures

Saunders Trust Fund	-	-	713	713
Other	80,000	80,000	664,738	584,738
	<u>930,000</u>	<u>930,000</u>	<u>5,046,846</u>	<u>4,116,846</u>

TOTAL REVENUES

345,620,030	345,620,030	337,014,870	(8,605,160)
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OTHER FINANCING SOURCES

Contribution from City of Yonkers

<u>245,363,218</u>	<u>245,363,218</u>	<u>246,523,525</u>	<u>1,160,307</u>
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TOTAL REVENUES AND**OTHER FINANCING SOURCES**

<u>\$ 590,983,248</u>	<u>\$ 590,983,248</u>	<u>\$ 583,538,395</u>	<u>\$ (7,444,853)</u>
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See independent auditors' report.

Yonkers City School District, New York

General Fund
 Schedule of Expenditures and Other Financing Uses Compared to Budget
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 293,115	\$ 296,803	\$ 249,995	\$ -	\$ 46,808
CENTRAL ADMINISTRATION					
Chief school administrator	835,074	835,074	779,071	-	56,003
FINANCE					
Auditing	143,490	143,490	142,350	-	1,140
CENTRAL SERVICES					
Operation of plant	31,759,055	32,982,574	30,895,448	298,012	1,789,114
Maintenance of plant	5,276,248	5,321,247	4,646,269	219,148	455,830
Central printing and mailing	348,642	411,142	410,144	-	998
Data processing	2,762,077	2,762,077	2,600,463	-	161,614
Total Central Services	40,146,022	41,477,040	38,552,324	517,160	2,407,556
SPECIAL ITEMS					
Unallocated insurance	1,178,889	1,257,733	1,251,971	-	5,762
Total General Support	42,596,590	44,010,140	40,975,711	517,160	2,517,269

INSTRUCTION

INSTRUCTION, ADMINISTRATION AND IMPROVEMENT

Curriculum development and supervision	2,661,059	2,801,756	2,696,892	-	104,864
Supervision - Regular school	28,762,280	29,345,426	28,741,294	33,752	570,380
Research, training and evaluation	1,165,446	1,165,446	799,759	5,101	360,586
In-service training - Instruction	115,425	115,425	17,316	-	98,109

Total Instruction, Administration and Improvement

32,704,210	33,428,053	32,255,261	38,853	1,133,939
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TEACHING - REGULAR SCHOOL

192,665,924	195,540,925	189,046,626	21,535	6,472,764
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PROGRAMS FOR STUDENTS WITH DISABILITIES

105,183,756	104,143,066	97,430,267	-	6,712,799
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OCCUPATIONAL EDUCATION

6,765,302	6,877,424	6,734,006	4,907	138,511
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INSTRUCTIONAL MEDIA

School library and audiovisual	1,155,149	1,155,149	1,122,636	156	32,357
Computer assisted instruction	746,715	1,137,214	1,109,854	-	27,360

Total Instructional Media

1,901,864	2,292,363	2,232,490	156	59,717
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PUPIL SERVICES

Attendance - Regular school	893,675	893,675	847,850	-	45,825
Guidance - Regular school	5,120,465	5,120,464	4,778,655	9,501	332,308
Health services - Regular school	6,692,085	6,935,259	6,113,840	5,599	815,820
Psychological services - Regular school	4,201,864	4,292,002	4,007,783	-	284,219
Social work services - Regular school	1,755,471	1,883,796	1,700,008	-	183,788
Interscholastic athletics - Regular school	3,461,317	3,455,689	2,358,078	39,562	1,058,049

Total Pupil Services

22,124,877	22,580,885	19,806,214	54,662	2,720,009
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Total Instruction

361,345,933	364,862,716	347,504,864	120,113	17,237,739
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(Continued)

Yonkers City School District, New York

General Fund
 Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget
PUPIL TRANSPORTATION					
District transportation services	\$ 4,856,023	\$ 4,418,841	\$ 2,975,081	\$ -	\$ 1,443,760
Contract transportation	34,855,226	32,632,361	26,742,893	-	5,889,468
Public transportation	900,000	900,000	78,686	-	821,314
BOCES transportation	72,000	72,000	8,952	-	63,048
Total Pupil Transportation	40,683,249	38,023,202	29,805,612	-	8,217,590
EMPLOYEE BENEFITS					
State retirement	11,652,477	11,652,477	11,409,024	-	243,453
Teachers' retirement	23,512,318	22,814,044	22,273,426	-	540,618
Social security	23,550,242	22,989,718	22,103,320	-	886,398
Hospital, medical and dental benefits	92,858,436	90,127,038	87,856,594	-	2,270,444
Life insurance	48,867	40,870	40,869	-	1
Unemployment benefits	1,352,224	2,224	-	-	2,224
Union welfare benefits	4,218,478	4,096,003	4,168,925	-	(72,922)
Total Employee Benefits	157,193,042	151,722,374	147,852,158	-	3,870,216
DEBT SERVICE					
Notes					
Principal	1,438,572	1,438,572	1,438,572	-	-
Interest	195,080	195,462	195,398	-	64
Total Debt Service	1,633,652	1,634,034	1,633,970	-	64
TOTAL EXPENDITURES	603,452,466	600,252,466	567,772,315	637,273	31,842,878

OTHER FINANCING USES

Transfers out

Special Aid Fund	1,495,200	1,495,200	1,495,200	-	-
School Lunch Fund	-	3,200,000	1,355,707	-	1,844,293
	<u>1,495,200</u>	<u>4,695,200</u>	<u>2,850,907</u>	<u>-</u>	<u>1,844,293</u>
TOTAL OTHER FINANCING USES					
	<u>1,495,200</u>	<u>4,695,200</u>	<u>2,850,907</u>	<u>-</u>	<u>1,844,293</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 604,947,666</u>	<u>\$ 604,947,666</u>	<u>\$ 570,623,222</u>	<u>\$ 637,273</u>	<u>\$ 33,687,171</u>

See independent auditors' report.

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Yonkers City School District, New York

Special Aid Fund
 Comparative Balance Sheet
 June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Receivables		
State and Federal aid	\$ 30,626,977	\$ 19,353,265
Due from other funds	96,485	684,142
	<u> </u>	<u> </u>
Total Assets	<u>\$ 30,723,462</u>	<u>\$ 20,037,407</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 1,770,808	\$ 934,062
Accrued liabilities	694,220	777,773
Unearned revenue	1,190,940	217,366
Due to City of Yonkers	27,026,137	13,721,700
Due to other funds	41,357	807,865
Advances from other funds	732,522	4,122,845
	<u> </u>	<u> </u>
Total Liabilities	31,455,984	20,581,611
Deferred inflows of resources		
Deferred revenues	-	3,578,641
	<u> </u>	<u> </u>
Total Liabilities and Deferred Inflows of Resources	31,455,984	24,160,252
Fund deficit		
Unassigned	(732,522)	(4,122,845)
	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Deficit	<u>\$ 30,723,462</u>	<u>\$ 20,037,407</u>

See independent auditors' report.

Yonkers City School District, New York

Special Aid Fund
 Comparative Schedule of Revenues, Expenditures and
 Changes in Fund Balance-Budget and Actual
 Years Ended June 30,

	2021			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
State aid	\$ 26,416,202	\$ 27,928,451	\$ 27,780,607	\$ (147,844)
Federal aid	30,326,842	33,336,343	20,195,892	(13,140,451)
Miscellaneous	1,023,064	1,023,064	318,119	(704,945)
Total Revenues	57,766,108	62,287,858	48,294,618	(13,993,240)
EXPENDITURES				
Current				
General support	249,363	400,107	310,201	89,906
Instruction	54,729,207	59,100,061	42,175,092	16,924,969
Pupil transportation	318,500	318,500	94,093	224,407
Community services	472,785	472,937	400,020	72,917
Employee benefits	3,491,453	3,491,453	3,420,089	71,364
Total Expenditures	59,261,308	63,783,058	46,399,495	17,383,563
Excess (Deficiency) of Revenues Over Expenditures	(1,495,200)	(1,495,200)	1,895,123	3,390,323
OTHER FINANCING SOURCES				
Transfers in	1,495,200	1,495,200	1,495,200	-
Net Change in Fund Balance	-	-	3,390,323	3,390,323
FUND BALANCE (DEFICIT)				
Beginning of Year	-	-	(4,122,845)	(4,122,845)
End of Year	\$ -	\$ -	\$ (732,522)	\$ (732,522)

See independent auditors' report.

2020

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 34,081,249	\$ 31,647,538	\$ 25,662,048	\$ (5,985,490)
24,846,041	27,736,413	22,324,120	(5,412,293)
201,121	157,514	152,513	(5,001)
<u>59,128,411</u>	<u>59,541,465</u>	<u>48,138,681</u>	<u>(11,402,784)</u>
370,865	348,090	327,128	20,962
54,617,018	55,048,530	45,685,284	9,363,246
1,569,870	1,632,570	1,365,747	266,823
479,764	385,518	376,206	9,312
3,586,094	3,621,957	3,415,929	206,028
<u>60,623,611</u>	<u>61,036,665</u>	<u>51,170,294</u>	<u>9,866,371</u>
(1,495,200)	(1,495,200)	(3,031,613)	(1,536,413)
<u>1,495,200</u>	<u>1,495,200</u>	<u>1,426,075</u>	<u>(69,125)</u>
-	-	(1,605,538)	(1,605,538)
-	-	(2,517,307)	(2,517,307)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,122,845)</u>	<u>\$ (4,122,845)</u>

Yonkers City School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Receivables		
Accounts	\$ 1,967,342	\$ 1,134,249
Due from City of Yonkers	57,140,900	51,217,573
Due from other funds	<u>42,963</u>	<u>42,963</u>
Total Assets	<u><u>\$ 59,151,205</u></u>	<u><u>\$ 52,394,785</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,009,828	\$ 1,886,130
Accrued liabilities	2,896,133	2,649,954
Due to other funds	<u>1,459,386</u>	<u>1,454,908</u>
Total Liabilities	6,365,347	5,990,992
Fund balance		
Restricted	<u>52,785,858</u>	<u>46,403,793</u>
Total Liabilities and Fund Balance	<u><u>\$ 59,151,205</u></u>	<u><u>\$ 52,394,785</u></u>

See independent auditors' report.

Yonkers City School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,

	<u>2021</u>	<u>2020</u>
REVENUES		
State aid	\$ 1,809,016	\$ 5,154,143
EXPENDITURES		
Capital outlay	<u>35,529,551</u>	<u>35,958,709</u>
Deficiency of Revenues Over Expenditures	<u>(33,720,535)</u>	<u>(30,804,566)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	33,175,000	52,775,000
Issuance premium	6,927,800	9,864,299
Transfer out	<u>(200)</u>	<u>-</u>
Total Other Financing Sources	<u>40,102,600</u>	<u>62,639,299</u>
Net Change in Fund Balance	6,382,065	31,834,733
FUND BALANCE		
Beginning of Year	<u>46,403,793</u>	<u>14,569,060</u>
End of Year	<u><u>\$ 52,785,858</u></u>	<u><u>\$ 46,403,793</u></u>

See independent auditors' report.

Yonkers City School District, New York

Capital Projects Fund
 Project-Length Schedule
 Inception Of Project Through June 30, 2021

PROJECT	Authorization		Expenditures and Transfers to Date		
	Original	Revised	Prior Years	Current Year	Total
Bond Sale - December 2011	\$ 10,000,000	\$ 10,000,000	\$ 9,978,656	\$ 16,342	\$ 9,994,998
Bond Sale - December 2012	27,846,460	27,846,460	27,327,853	230,147	27,558,000
Bond Anticipation Note - August 2013	5,205,900	5,205,900	5,205,700	200	5,205,900
Bond Sale - October 2014	21,729,385	21,778,902	21,703,689	14,279	21,717,968
Bond Sale - September 2015	19,883,325	19,883,325	19,732,476	-	19,732,476
Bond Sale - December 2016	16,369,985	16,369,985	14,728,500	679,643	15,408,143
Saunders Insurance Recovery	598,362	1,155,423	1,120,224	5,932	1,126,156
Bond Anticipation Note - April 2017	2,700,000	2,700,000	2,580,517	115,921	2,696,438
Bond Sale October 2017	19,467,362	19,467,362	17,098,352	1,314,682	18,413,034
Cash Capital - Travelers	581,128	660,076	607,292	19,415	626,707
Smart School Bond Act - Non-CIP	3,838,075	3,838,075	3,838,062	-	3,838,062
DASNY State and Municipal Facilities Program Grant	21,000,000	21,000,000	18,238,267	586,816	18,825,083
Bond Anticipation Note - August 2018	2,700,000	2,700,000	2,590,204	59,731	2,649,935
Bond Anticipation Note - May 2019	24,620,000	24,620,000	14,854,868	6,175,168	21,030,036
DASNY State and Municipal Facilities Program No. 13081	500,000	500,000	37,195	429,330	466,525
Bond Sale - November 2019	34,927,459	35,319,299	4,237,413	21,414,157	25,651,570
Bond Sale - February 2021	40,102,800	40,102,800	-	3,245,788	3,245,788
Smart Schools Investment Plan- Non-CIP 2021	2,452,184	2,452,184	-	1,222,200	1,222,200
Total	\$ 254,522,425	\$ 255,599,791	\$ 163,879,268	\$ 35,529,751	\$ 199,409,019

See independent auditors' report.

Unexpended Balance	Methods of Financing				Fund Balance at June 30, 2021
	Proceeds of Obligations	State Aid	Other	Total	
\$ 5,002	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ 5,002
288,460	27,846,460	-	-	27,846,460	288,460
-	5,205,900	-	-	5,205,900	-
60,934	21,778,902	-	-	21,778,902	60,934
150,849	19,883,325	-	-	19,883,325	150,849
961,842	16,369,985	-	-	16,369,985	961,842
29,267	-	-	1,155,423	1,155,423	29,267
3,562	2,700,000	-	-	2,700,000	3,562
1,054,328	19,467,362	-	-	19,467,362	1,054,328
33,369	-	-	660,076	660,076	33,369
13	-	3,838,062	-	3,838,062	-
2,174,917	-	18,825,083	-	18,825,083	-
50,065	2,700,000	-	-	2,700,000	50,065
3,589,964	24,620,000	-	-	24,620,000	3,589,964
33,475	-	500,000	-	500,000	33,475
9,667,729	35,319,299	-	-	35,319,299	9,667,729
36,857,012	40,102,800	-	-	40,102,800	36,857,012
1,229,984	-	1,222,200	-	1,222,200	-
<u>\$ 56,190,772</u>	<u>\$ 225,994,033</u>	<u>\$ 24,385,345</u>	<u>\$ 1,815,499</u>	<u>\$ 252,194,877</u>	<u>\$ 52,785,858</u>

Yonkers City School District, New York

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2021
 (With Comparative Totals for 2020)

	School Lunch	Special Purpose	Debt Service
ASSETS			
Cash and equivalents	\$ -	\$ 337,902	\$ -
Receivables			
Accounts	6,739	1,432	-
State and Federal aid	2,901,012	-	-
Due from City of Yonkers	-	5,719,722	-
Due from other funds	-	1,168,659	42,332,789
	<u>2,907,751</u>	<u>6,889,813</u>	<u>42,332,789</u>
Inventories	<u>335,471</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,243,222</u>	<u>\$ 7,227,715</u>	<u>\$ 42,332,789</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 150,730	\$ 499	\$ -
Accrued liabilities	291,478	-	-
Due to City of Yonkers	1,379,386	-	41,226,437
Due to other funds	481,791	6,474,777	601,525
Total Liabilities	<u>2,303,385</u>	<u>6,475,276</u>	<u>41,827,962</u>
Fund balances			
Nonspendable	335,471	-	-
Restricted	-	752,439	504,827
Assigned	604,366	-	-
Total Fund Balances	<u>939,837</u>	<u>752,439</u>	<u>504,827</u>
Total Liabilities and Fund Balances	<u>\$ 3,243,222</u>	<u>\$ 7,227,715</u>	<u>\$ 42,332,789</u>

See independent auditors' report.

Total Non-Major
Governmental Funds

2021	2020
\$ 337,902	\$ 411,932

8,171	12,337
2,901,012	322,409
5,719,722	3,310,182
<u>43,501,448</u>	<u>42,528,460</u>

<u>52,130,353</u>	<u>46,173,388</u>
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<u>335,471</u>	<u>189,308</u>
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<u>\$ 52,803,726</u>	<u>\$ 46,774,628</u>
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\$ 151,229	\$ 1,221,399
291,478	205,599
42,605,823	41,434,656
<u>7,558,093</u>	<u>1,701,035</u>

<u>50,606,623</u>	<u>44,562,689</u>
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335,471	189,308
1,257,266	1,272,102
<u>604,366</u>	<u>750,529</u>

<u>2,197,103</u>	<u>2,211,939</u>
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<u>\$ 52,803,726</u>	<u>\$ 46,774,628</u>
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Yonkers City School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	School Lunch	Special Purpose	Debt Service
REVENUES			
Use of money and property	\$ -	\$ 187	\$ 105,006
State aid	182,866	-	-
Federal aid	6,876,601	-	-
Food sales	413	-	-
Miscellaneous	-	345,419	-
Total Revenues	<u>7,059,880</u>	<u>345,606</u>	<u>105,006</u>
EXPENDITURES			
Current			
Employee benefits	2,570,194	-	-
Cost of food sales	5,845,393	-	-
Other	-	369,045	-
Debt service			
Principal	-	-	15,641,000
Interest	-	-	8,734,654
Total Expenditures	<u>8,415,587</u>	<u>369,045</u>	<u>24,375,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,355,707)</u>	<u>(23,439)</u>	<u>(24,270,648)</u>
OTHER FINANCING SOURCES (USES)			
Contribution from City of Yonkers	-	-	24,279,051
Transfers in	1,355,707	-	200
Total Other Financing Sources	<u>1,355,707</u>	<u>-</u>	<u>24,279,251</u>
Net Change in Fund Balances	-	(23,439)	8,603
FUND BALANCES			
Beginning of Year, as reported	939,837	775,878	496,224
Cumulative Effect of Change in Accounting Principle	-	-	-
Beginning of year, as restated	<u>939,837</u>	<u>775,878</u>	<u>496,224</u>
End of Year	<u>\$ 939,837</u>	<u>\$ 752,439</u>	<u>\$ 504,827</u>

See independent auditors' report.

Total Non-Major Governmental Funds	
2021	2020
\$ 105,193	\$ 400,612
182,866	168,404
6,876,601	7,677,984
413	38,687
345,419	753,937
<u>7,510,492</u>	<u>9,039,624</u>
2,570,194	2,760,477
5,845,393	7,394,185
369,045	538,381
15,641,000	16,554,654
8,734,654	5,864,959
<u>33,160,286</u>	<u>33,112,656</u>
<u>(25,649,794)</u>	<u>(24,073,032)</u>
24,279,051	22,253,252
1,355,907	2,100,000
<u>25,634,958</u>	<u>24,353,252</u>
(14,836)	280,220
2,211,939	1,614,487
-	317,232
<u>2,211,939</u>	<u>1,931,719</u>
<u>\$ 2,197,103</u>	<u>\$ 2,211,939</u>

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Yonkers City School District, New York

School Lunch Fund
 Comparative Balance Sheet
 June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Receivables		
Accounts	\$ 6,739	\$ 11,093
State and Federal aid	2,901,012	322,409
Due from City of Yonkers	-	2,328,529
	<u>2,907,751</u>	<u>2,662,031</u>
Inventories	<u>335,471</u>	<u>189,308</u>
Total Assets	<u>\$ 3,243,222</u>	<u>\$ 2,851,339</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 150,730	\$ 1,221,399
Accrued liabilities	291,478	205,599
Due to City of Yonkers	1,379,386	2,713
Due to other funds	<u>481,791</u>	<u>481,791</u>
Total Liabilities	<u>2,303,385</u>	<u>1,911,502</u>
Fund balance		
Nonspendable	335,471	189,308
Assigned	<u>604,366</u>	<u>750,529</u>
Total Fund Balance	<u>939,837</u>	<u>939,837</u>
Total Liabilities and Fund Balance	<u>\$ 3,243,222</u>	<u>\$ 2,851,339</u>

See independent auditors' report.

Yonkers City School District, New York

School Lunch Fund
 Comparative Schedule of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Years Ended June 30,

	2021			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
State aid	\$ 233,059	\$ 233,059	\$ 182,866	\$ (50,193)
Federal aid	11,397,150	11,397,150	6,876,601	(4,520,549)
Food sales	163,000	163,000	413	(162,587)
Miscellaneous	-	-	-	-
Total Revenues	<u>11,793,209</u>	<u>11,793,209</u>	<u>7,059,880</u>	<u>(4,733,329)</u>
EXPENDITURES				
Current				
Employee benefits	2,981,574	2,981,574	2,570,194	411,380
Cost of food sales	9,087,332	9,087,332	5,845,393	3,241,939
Total Expenditures	<u>12,068,906</u>	<u>12,068,906</u>	<u>8,415,587</u>	<u>3,653,319</u>
Excess (Deficiency) of Revenues Over Expenditures	(275,697)	(275,697)	(1,355,707)	(1,080,010)
OTHER FINANCING SOURCES				
Transfers in	-	-	1,355,707	1,355,707
Net Change in Fund Balance	(275,697)	(275,697)	-	275,697
FUND BALANCE				
Beginning of Year	<u>275,697</u>	<u>275,697</u>	<u>939,837</u>	<u>664,140</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,837</u>	<u>\$ 939,837</u>

See independent auditors' report.

2020

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 235,346	\$ 235,346	\$ 168,404	\$ (66,942)
11,139,192	11,139,192	7,677,984	(3,461,208)
197,342	197,342	38,687	(158,655)
-	-	4,382	4,382
11,571,880	11,571,880	7,889,457	(3,682,423)
3,107,219	3,064,719	2,760,477	304,242
9,013,616	9,056,116	7,394,185	1,661,931
12,120,835	12,120,835	10,154,662	1,966,173
(548,955)	(548,955)	(2,265,205)	(1,716,250)
-	-	2,100,000	2,100,000
(548,955)	(548,955)	(165,205)	383,750
548,955	548,955	1,105,042	556,087
\$ -	\$ -	\$ 939,837	\$ 939,837

Yonkers City School District, New York

Special Purpose Fund
 Comparative Balance Sheet
 June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and equivalents	\$ 337,902	\$ 411,932
Receivables		
Accounts	1,432	1,244
Due from City of Yonkers	5,719,722	980,421
Due from other funds	1,168,659	-
	<u>6,889,813</u>	<u>981,665</u>
Total Assets	<u>\$ 7,227,715</u>	<u>\$ 1,393,597</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 499	\$ -
Due to other funds	6,474,777	617,719
Total Liabilities	6,475,276	617,719
Fund balance		
Restricted	<u>752,439</u>	<u>775,878</u>
Total Liabilities and Fund Balance	<u>\$ 7,227,715</u>	<u>\$ 1,393,597</u>

See independent auditors' report.

Yonkers City School District, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,

	<u>2021</u>	<u>2020</u>
REVENUES		
Use of money and property	\$ 187	\$ 991
Miscellaneous	<u>345,419</u>	<u>749,555</u>
Total Revenues	345,606	750,546
EXPENDITURES		
Current		
Other	<u>369,045</u>	<u>538,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23,439)</u>	<u>212,165</u>
FUND BALANCE		
Beginning of Year, as reported	775,878	246,481
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>317,232</u>
Beginning of Year, as restated	<u>775,878</u>	<u>563,713</u>
End of Year	<u>\$ 752,439</u>	<u>\$ 775,878</u>

See independent auditors' report.

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Yonkers City School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Due from City of Yonkers	\$ -	\$ 1,232
Due from other funds	<u>42,332,789</u>	<u>42,528,460</u>
	<u>\$ 42,332,789</u>	<u>\$ 42,529,692</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to City of Yonkers	\$ 41,226,437	\$ 41,431,943
Due to other funds	<u>601,525</u>	<u>601,525</u>
Total Liabilities	41,827,962	42,033,468
Fund balance		
Restricted	<u>504,827</u>	<u>496,224</u>
Total Liabilities and Fund Balance	<u>\$ 42,332,789</u>	<u>\$ 42,529,692</u>

See independent auditors' report.

Yonkers City School District, New York

Debt Service Fund
 Comparative Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Years Ended June 30,

	2021			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Use of money and property	\$ -	\$ -	\$ 105,006	\$ 105,006
EXPENDITURES				
Debt service				
Principal				
Bonds	15,441,000	15,441,000	15,441,000	-
State loan	200,000	200,000	200,000	-
	15,641,000	15,641,000	15,641,000	-
Interest				
Bonds	8,734,654	8,734,654	8,734,654	-
Total Expenditures	24,375,654	24,375,654	24,375,654	-
Deficiency of Revenues Over Expenditures	(24,375,654)	(24,375,654)	(24,270,648)	105,006
OTHER FINANCING SOURCES				
Contribution from City of Yonkers	24,279,051	24,279,051	24,279,051	-
Transfers in	-	-	200	200
Total Other Financing Sources	24,279,051	24,279,051	24,279,251	200
Net Change in Fund Balance	(96,603)	(96,603)	8,603	105,206
FUND BALANCE				
Beginning of Year	96,603	96,603	496,224	399,621
End of Year	\$ -	\$ -	\$ 504,827	\$ 504,827

See independent auditors' report.

2020

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ 399,621	\$ 399,621
16,354,654	16,354,654	16,354,654	-
200,000	200,000	200,000	-
16,554,654	16,554,654	16,554,654	-
5,864,959	5,864,959	5,864,959	-
22,419,613	22,419,613	22,419,613	-
(22,419,613)	(22,419,613)	(22,019,992)	399,621
22,253,252	22,253,252	22,253,252	-
-	-	-	-
22,253,252	22,253,252	22,253,252	-
(166,361)	(166,361)	233,260	399,621
166,361	166,361	262,964	96,603
\$ -	\$ -	\$ 496,224	\$ 496,224

Yonkers City School District, New York

General Fund
Analysis of Change from Adopted Budget to Final Budget
Year Ended June 30, 2021

Adopted Budget	\$ 603,701,069
Additions	
Encumbrances	<u>1,246,597</u>
Original/Final Budget	<u><u>\$ 604,947,666</u></u>

See independent auditors' report.

Yonkers City School District, New York

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2021

Capital Assets, net		\$ 337,265,436
Less		
Bonds payable - Capital construction	\$ (186,780,000)	
Notes payable	(5,336,291)	
Unamortized portion of premium on bonds - Capital construction	<u>(21,177,363)</u>	(213,293,654)
Plus		
Unexpended bond proceeds	52,689,747	
Unamortized portion of loss on refunding bonds - Capital construction	<u>1,262,895</u>	<u>53,952,642</u>
Net Investment in Capital Assets		<u>\$ 177,924,424</u>

See independent auditors' report.

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

**The Board of Education of the
Yonkers City School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yonkers City School District, New York ("School District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
December 1, 2021



**Report on Compliance for Each Major Federal Program and Report
on Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Board of Education of the
Yonkers City School District, New York**

Report on Compliance for Each Major Federal Program

We have audited the Yonkers City School District, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 1, 2021

Yonkers City School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Provided to Sub- recipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
National School Lunch Program - Commodities	10.555	N/A	\$ -	\$ 383,867
National School Lunch Program - Cash	10.555	N/A	-	1,398,002
Summer Food Service Program for Children	10.559	N/A	-	5,094,732
Subtotal Child Nutrition Cluster			-	6,876,601
Fresh Fruit and Vegetable Program	10.582	N/A	-	44,063
Total U.S. Department of Agriculture			-	6,920,664
<u>U.S. Department of Education</u>				
Direct Program				
Impact Aid	84.041	N/A	-	31,648
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster - IDEA</i>				
Special Education - Grants to States	84.027	0032-21-1107	-	6,813,420
Special Education - Preschool Grants	84.173	0033-21-1107	-	193,432
Subtotal Special Education Cluster			-	7,006,852
Adult Education - Basic Grants to States	84.002	2338-20-3075	-	379,966
Title I Grants to Local Educational Agencies	84.010	0011-20-2005	-	50,640
Title I Grants to Local Educational Agencies	84.010	0011-21-2005	-	69,123
Title I Grants to Local Educational Agencies	84.010	0011-20-2708	-	34,818
Title I Grants to Local Educational Agencies	84.010	0011-20-5043	-	163,532
Title I Grants to Local Educational Agencies	84.010	0011-21-7629	-	344,231
Title I Grants to Local Educational Agencies	84.010	0021-20-3820	-	426,459
Title I Grants to Local Educational Agencies	84.010	0021-21-3820	-	8,728,099
			-	9,816,902
Career and Technical Education - Basic Grants to States	84.048	8000-21-9037	-	312,274
Career and Technical Education - Basic Grants to States	84.048	8000-21-0001	-	241,083
			-	553,357

(Continued)

Yonkers City School District, New York

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Provided to Sub- recipients</u>	<u>Total Federal Expenditures</u>
English Language Acquisition State Grants	84.365	0149-20-3820	\$ -	\$ 14,945
English Language Acquisition State Grants	84.365	0149-21-3820	-	19,136
English Language Acquisition State Grants	84.365	0293-20-3820	-	86,935
English Language Acquisition State Grants	84.365	0293-21-3820	-	418,215
			<u>-</u>	<u>539,231</u>
Supporting Effective Instruction State Grants	84.367	0145-20-1002	-	102,321
Supporting Effective Instruction State Grants	84.367	0145-21-1002	-	209,430
Supporting Effective Instruction State Grants	84.367	0147-20-3820	-	199,708
Supporting Effective Instruction State Grants	84.367	0147-21-3820	-	779,896
			<u>-</u>	<u>1,291,355</u>
Student Support and Academic Enrichment Program	84.424A	0204-20-3820	-	470,519
Student Support and Academic Enrichment Program	84.424A	0204-21-3820	-	93,647
			<u>-</u>	<u>564,166</u>
Governor's Emergency Education Relief (GEER) Fund (CARES)	84.425C	5895-21-3820	-	1,368,114
Elementary and Secondary School Emergency Relief (ESSER) Fund (CARES)	84.425D	5890-21-3820	-	8,167,486
			<u>-</u>	<u>9,535,600</u>
Total U.S. Department of Education			<u>-</u>	<u>29,719,077</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 36,639,741</u>

N/A - Information not available.

See independent auditors' report and notes to schedule of expenditures of federal awards.

Yonkers City School District, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the Yonkers City School District, New York ("School District") under programs of the federal government for the year ended June 30, 2021. Federal awards received directly from the Federal agencies as well as federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Yonkers City School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ Yes X No
___ Yes X None reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major federal programs:

Assistance

Listing Number(s)

Name of Federal Program or Cluster

	Child Nutrition Cluster
10.555	National School Lunch Program - Commodities
10.555	National School Lunch Program - Cash
10.559	Summer Food Service Program for Children
84.367	Supporting Effective Instruction State Grants
84.425C	Governor's Emergency Education Relief Fund (GEER)
84.425D	Elementary and Secondary School Emergency Relief Fund (ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,099,192

Auditee qualified as low-risk auditee?

X Yes ___ No

Yonkers City School District, New York

Schedule of Findings and Questioned Costs (Concluded)
Year ended June 30, 2021

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None

Yonkers City School District, New York

Summary Schedule of Prior Audit Findings
Year ended June 30, 2021

None

CERTAIN DEFINITIONS

Act or IDA Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), as amended, and Chapter 83 of the 1982 Laws of New York, as amended.

Additional Project Bonds shall mean one or more series of bonds (other than the Series 2021 Bonds and the Series 2022 Bonds) issued, executed, authenticated and delivered under the Indenture or an Other Indenture to finance a portion of the costs of the New Community School Project or one or more Additional Facilities in connection with the Program.

Additional Facilities shall mean any public school buildings of the City and/or the YCSD as shall after the Closing Date become subject to a Series Facilities Agreement other than the Installment Sale Agreement; provided, however, that to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within a public school building owned by the City and/or the YCSD shall be financed in whole or in part from a Series of Project Bonds, then “Additional Facilities” shall mean only such items so financed and all replacements, repairs or additions thereto.

Agency shall mean the City of Yonkers Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall succeed to the powers, duties, obligations and functions thereof.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to a Series of Bonds, the applicable Arbitrage and Use of Proceeds Certificate of the School Parties relating to such Series of Bonds.

Authorized Representative shall have the meaning ascribed thereto in the Installment Sale Agreement.

Bank shall mean any: (i) bank or trust company organized under the laws of any state of the United States of America; (ii) national banking association; (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America; or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bankruptcy Code shall mean Title 11 of the United States Code, as it is amended from time to time.

Base Facilities Agreement Payment Certificate shall have the meaning ascribed thereto in the State Aid Depository Agreement.

Base Installment Purchase Payments shall mean those installment purchase payments payable by the City and YCSD as set forth in Schedule A-1, Schedule A-2 and Schedule A-3 to the Installment Sale Agreement.

Beneficial Owner shall mean, whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the beneficial owner of such Bond by the respective systems of DTC and each of the Participants of DTC.

Beneficial Ownership Interest shall mean the beneficial right to receive payments and notices with respect to the Bonds which are held by the Securities Depository under a book-entry system.

Bond Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in Section 3.10 of the Indenture.

Bond Resolution shall mean the resolution of the Agency adopted on August 17, 2021, authorizing the New Community School Project and the issuance of the Bonds.

Bonds shall mean, collectively, the Series 2021 Bonds, the Series 2022 Bonds and any Additional Project Bonds issued under the Indenture for the New Community School Project, unless the context otherwise requires.

Bond Service Charges shall mean the principal, interest and redemption premium, if any, required to be paid on the Bonds when and as the same become due, whether by scheduled maturity or prior redemption.

Bond Year shall have the meaning ascribed thereto in the Tax Certificate.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banks in the State of New York, or in the cities in which the corporate trust office of the Trustee is located, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Bonds in book-entry-only form.

Closing Date shall mean the date of the original issuance and delivery of the Series 2021 Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder.

Collecting Officer shall have the meaning ascribed thereto in the State Aid Depository Agreement.

Collection Percentage means, with respect to each month of a Collection Period, the ratio, expressed as a percentage, of the amount of State Aid to Education expected to be received during such month of such Collection Period to the total amount of State Aid to Education expected to be received during such Collection Period.

Collection Period means the four month period from and including December 1 of a Fiscal Year through and including March 31 of such Fiscal Year.

Commissioner shall mean the New York State Education Commissioner.

Commissioner of Finance shall have the meaning ascribed thereto in the State Aid Depository Agreement.

Costs of Issuance shall mean issuance costs with respect to a Series of Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: underwriter's spread (whether realized directly or derived through purchase of such Series of Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, underwriter's counsel, Trustee's counsel, Agency's counsel, counsel to each of the School Parties, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Agency or the School Parties incurred in connection with the issuance of the Series of Bonds; professional consultant's fees; Rating Agency fees; Trustee, Paying Agent and Depository Bank fees; Credit Facility fees and the fees and expenses of counsel to the provider of the Credit Facility; accountant fees and other expenses related to the issuance of such Series of Bonds; printing and reproduction costs; filing and recording fees; costs of Rating Agencies; fees and expenses of the Agency incurred in connection with the issuance of such Series of Bonds; Blue Sky fees and expenses; and any other charges, fees, costs or expenses related to the issuance of such Series of Bonds.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Agency or the School Parties and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds.

Defeasance Obligations shall mean only: (1) cash; (2) non-callable direct obligations of the United States of America ("*Treasuries*"); (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively; or (5) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof.

Depository Bank or Depository shall mean Manufacturers and Traders Trust Company, acting as depository bank pursuant to the State Aid Depository Agreement, and shall include its successors and assigns in such capacity.

DTC shall mean The Depository Trust Company, a limited purpose trust company, Jersey City, New Jersey.

Environmental Compliance Agreement shall mean the Environmental Compliance and Indemnification Agreement, dated as of September 1, 2021, from the City and the YCSD to and for the benefit of the Issuer, as same may be further amended or supplemented from time to time.

Equipment shall mean all items of machinery, equipment, furniture, furnishings and fixtures necessary or attendant to the use of the Facilities.

Event of Default shall have the meaning specified in APPENDIX C.

Event of Nonappropriation shall mean the failure by the City or the YCSD to pay or cause to be paid, when due, the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement, as a result of: (i) the failure by the YCSD to include in the annual YCSD budget submitted

to the Mayor of the City line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement or to approve such payments after appropriation by the City therefor; (ii) the failure by the City to approve and appropriate the annual YCSD budget containing line items for the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement and thereby appropriate funds for the payment thereof; or (iii) the failure by the YCSD to approve payment of Installment Purchase Payments or Additional Payments after appropriation by the City therefor.

Facilities Payment Obligations means, with respect to the Installment Sale Agreement, the Lease Payments, Installment Purchase Payments or other like payment obligations as so defined in the Installment Sale Agreement.

Fitch shall mean Fitch Ratings and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally-recognized securities rating agency designated by the Trustee by notice to the Notice Parties.

Indenture shall mean the Indenture of Trust (New Community School Project), dated as of September 1, 2021, as amended and restated as of December 1, 2022, between the Agency and the Trustee, pursuant to which the Series 2021 Bonds were issued and any Additional Project Bonds are issued, as from time to time amended or supplemented by Supplemental Indentures in accordance with Article XI of the Indenture.

Installment Purchase Payments shall mean, collectively, the Base Installment Purchase Payments and the Reserve Payments.

Installment Sale Agreement shall mean the Installment Sale Agreement (New Community School Project), dated as of September 1, 2021, as amended and restated as of December 1, 2022, among the Agency and the School Parties, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

Interest Payment Date shall mean, with respect to the Bonds, May 1 and November 1 of each year, commencing May 1, 2022, through and including the maturity date thereof.

Intermunicipal Agreement shall mean the intermunicipal agreement dated as of August 19, 2021, by and between the City, YCSD and YJSCB, as amended or supplemented.

Issuer shall mean the City of Yonkers Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall succeed to the powers, duties, obligations and functions thereof.

JSCB shall mean the Yonkers Joint Schools Construction Board.

License Agreement or License shall mean the License Agreement, dated as of September 1, 2021, between the City and the YCSD, as licensor and the Issuer, as licensee, as the same may be further amended or supplemented.

Moody's shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Nationally Recognized Bond Counsel shall mean Harris Beach PLLC or other counsel acceptable to the Agency and the Trustee experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Base Facilities Agreement Payment shall mean the Base Installment Purchase Payment as reduced by any credits from amounts available in the Bond Fund.

New Community School Project shall have the meaning ascribed to such term in the Installment Sale Agreement.

Notice Parties shall mean the Agency, the School Parties, the Paying Agent and the Trustee.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Installment Sale Agreement or any other Security Document) be counsel for the School Parties or the Agency and who shall be acceptable to the Trustee.

Other Indenture shall mean an indenture of trust similar to the Indenture between the Agency and a trustee, pursuant to which Project Bonds are issued, as such document may be amended or supplemented.

Outstanding when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(a) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(b) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with Section 10.1 of the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(1) moneys, and/or

(2) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, together with that documentation required under Section 10.1 hereof, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article III of the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by any of the School Parties shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not a School Party.

Participants shall mean those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Pledge and Assignment shall mean the Pledge and Assignment dated as of September 1, 2021, as amended and restated as of December 1, 2022, by the Agency to the Trustee, acknowledged by the City, the YCSD and the JSCB.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

Project shall have the meaning assigned to such term by the Yonkers Schools Act.

Project Bonds shall mean the Bonds and any series of bonds of the Agency or any other public entity issued under the Indenture or an Other Indenture to finance all or a portion of the costs of a Project.

Project Costs shall mean, together with any other proper item of cost not specifically mentioned in the Indenture but authorized pursuant to the IDA Act or the Yonkers Schools Act, the cost of construction, alteration, enlargement, reconstruction, rehabilitation, remodeling, equipping or furnishing of a Facility and the financing or refinancing thereof, including interest on a Series of Bonds from the date thereof to completion of construction, reconstruction or rehabilitation of a Facility, the payment of the fees and expenses of the Trustee and of any provider of a Credit Facility during the construction, reconstruction or rehabilitation of a Facility, the cost of preparation of the site of a Facility and of any land to be used in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance, the cost of reserves, a Credit Facility or a Qualified Swap, all Costs of Issuance, the costs of audits, the cost of all labor, materials, services, supplies and other expenses, the cost of all contract bonds, the cost of all machinery, apparatus, furniture, fixtures and equipment, the cost of engineering, architectural services, design, plans, specifications and surveys, estimates of cost, and all other expenses necessary or incident to determining the feasibility or practicability of a Facility, and such other expenses not specified in the Indenture as may be necessary or incident to the construction, alteration, enlargement, reconstruction, rehabilitation, remodeling, equipping and furnishing of a Facility, the financing or refinancing thereof and the placing of the same in use and operation.

Project Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(a) (i) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(b) Federal Housing Administration debentures.

(c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(d) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P.

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$100 million.

(f) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

(g) Money market funds rated “AAm” or “AAm-G” by S&P, or better.

(h) “State Obligations”, which means:

- (1) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state

the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- (2) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.
- (3) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(i) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

- (1) the municipal obligations are (i) not subject to redemption prior to maturity, or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (2) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- (3) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
- (4) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- (5) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- (6) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(j) Repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

(i) The market value of the collateral and the type of the collateral are approved by the Comptroller of the City;

(ii) The Trustee or a third party acting solely as agent therefor or for the Agency (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(iii) The repurchase agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(iv) All other requirements of the Rating Agencies in respect of repurchase agreements shall be met. and

(v) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Trustee, within ten (10) days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Agency or the Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa” by Moody’s; provided that, by the terms of the investment agreement:

- (1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, construction draws) on the Bonds;
- (2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice; the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (3) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (4) the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Agency and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Agency and the Trustee;

(5) the investment agreement shall provide that if during its term

(a) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively (but not below "A-" or "A3", respectively), the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral (of the type and having a market value as approved by the Comptroller of the City) free and clear of any third-party liens or claims, provided, however, that the provider can only exercise its option under this clause (a) if the Trustee shall receive a Rating Confirmation with respect thereto; or (ii) repay the principal of and accrued but unpaid interest on the investment with no penalty or premium to the Agency or the Trustee, and

(b) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Agency or the Trustee (who shall give such direction, if so directed by the Comptroller of the City), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Agency or the Trustee, and

(6) the investment agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of the Collateral is in possession); and

(7) the investment agreement must provide that if during its term

(a) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate, and

(b) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate.

(l) Any other investment, whether similar or dissimilar to any of the foregoing, to the extent that the Trustee shall receive a Rating Confirmation with respect thereto.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Agency or the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Agency as may be designated or a notional principal amount relating to all or a portion

of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Agency or the City for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed or variable interest rate Bonds on a synthetic basis or otherwise, (iii) which has been designated in writing to the Trustee by an Authorized Representative of the City as a Qualified Swap with respect to such Obligations, and (iv) which provides that any termination or like payment thereunder shall be subordinated to the payment of the Bonds.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either at least as high as (i) the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Agency and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

Rating Agency shall mean Fitch, S&P or Moody's and such other nationally recognized securities rating agency as shall have awarded a rating to the Bonds at the request of the Agency.

Rating Category shall mean one of the generic rating categories of any of Fitch, Moody's or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean written evidence from each Rating Agency that no Outstanding Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken as described or referred to therein.

Rebate Fund shall mean the special trust fund so designated, established pursuant to Section 5.1 of the Indenture.

Record Date shall mean, with respect to the Bonds, the fifteenth (15th) day of the calendar month immediately preceding an Interest Payment Date.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to Section 5.1 of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunded Bonds shall mean, with respect to a Series of Refunding Bonds, the Bonds refunded by such Refunding Bonds pursuant to Section 2.7 of the Indenture.

Refunding Bonds shall mean one or more series of Refunding Bonds issued, executed, authenticated and delivered under the Indenture.

Related Security Documents shall mean all Security Documents other than the Indenture.

Representation Letter shall mean the Blanket Issuer Letter of Representations from the Agency and the Trustee to DTC.

Reserve Payments shall mean those payments payable by the City and YCSD pursuant to the Installment Sale Agreement for deposit to the Debt Service Reserve Fund (if any) to the extent of any deficiency therein.

Reserved Rights shall mean, collectively,

(a) the right of the Agency to exercise in its own behalf its rights under the Installment Sale Agreement with respect to the payment and/or collection of Additional Payments due to the Agency in its own behalf under the Installment Sale Agreement;

(b) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the Installment Sale Agreement;

(c) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the Installment Sale Agreement;

(d) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the School Parties with respect to ensuring that the Facilities shall always constitute a qualified "project" as defined in and as contemplated by the IDA Act and the Yonkers Schools Act;

(e) the right of the Agency in its own behalf to enforce, receive Additional Payments payable under or otherwise exercise its rights under Article VII and Sections 2.3, 3.1, 3.2, 3.7, 3.9, 4.3, 4.5, 4.8, 5.2, 5.5, 8.1(b)-(f), 8.2, 8.3, 8.7, 9.1, 10.5, 10.6, 10.16, 10.17 and 10.18 of the Installment Sale Agreement;

(f) the right of the Agency to enforce the Environmental Compliance Agreement; and

(g) the right of the Agency in its own behalf to enforce the Agency's Reserved Rights upon the occurrence of an Event of Default or an Event of Nonappropriation.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

S&P shall mean S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Scheduled Debt Service Fund Earnings shall have the meaning ascribed thereto in the State Aid Depository Agreement.

School Party or School Parties shall mean, collectively or severally, as applicable, the City, the YCSD and the JSCB.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Security Documents shall mean, collectively, the Installment Sale Agreement, the Indenture, and the Tax Compliance Documents.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series 2021 Bonds shall mean the Issuer's \$25,000,000 School Facility Revenue Bonds (New Community School Project), Series 2021, authorized, issued, executed, authenticated and delivered under the Indenture.

Series 2022 Bonds shall mean the Issuer's \$__,000,000 School Facility Revenue Bonds (New Community School Project), Series 2022, authorized, issued, executed, authenticated and delivered under the Indenture.

Sinking Fund Installment shall mean, when used with respect to any outstanding Series of Bonds, the amount of money required to be paid on a single future May 1 for the retirement of such Bond of a Series which matures after said future May 1, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond, and said future May 1 is deemed to be the date when a Sinking Fund Installment is payable and such Bond is deemed to be entitled to such Sinking Fund Installment.

Special Record Date shall mean such date as may be fixed for the payment of defaulted interest in accordance with Section 2.2 of the Indenture.

State shall mean the State of New York.

State Aid Depository Agreement shall mean the State Aid Depository Agreement, dated as of August 1, 2021, among the YCSD, the Depository Bank and the City, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

State Aid to Education shall have the meaning ascribed thereto in the State Aid Depository Agreement.

State Comptroller shall mean the State Comptroller of the State of New York.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Agency and the Trustee in accordance with Article XI of the Indenture.

Tax Certificate shall mean, with respect to a Series of Bonds, the Tax Certificate of the Agency with respect to such Series of Bonds.

Tax Compliance Documents shall mean, with respect to a Series of Bonds, the Arbitrage and Use of Proceeds Certificate and Tax Certificate with respect to such Series of Bonds.

Trustee shall mean Manufacturers and Traders Trust Company, in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

YCSD shall mean the City School District of the City of Yonkers, a school district of the State of New York, acting by and through the Board of Education of the City School District of the City of Yonkers, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Yonkers Schools Act shall mean Chapter 355 of the Laws of 2016 of the State, as the same may be further amended from time to time.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

The following is a summary of certain provisions of the Indenture of Trust. This summary is qualified in its entirety by reference to the document itself.

Additional Project Bonds. So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Project Bonds may be issued, authenticated and delivered upon original issuance for the purpose of: (i) financing Facilities in connection with the Program; (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain; (iii) providing such additions, rehabilitation or recreational facilities to one or more Facilities, provided such additions, rehabilitation or recreational facilities constitute a “project “ under the IDA Act and the Yonkers Schools Act; or (iv) refunding Outstanding Bonds. Such Series of Additional Project Bonds shall be payable from the Installment Purchase Payments under the Installment Sale Agreement. Prior to the issuance of a Series of Additional Project Bonds and the execution of a Supplemental Indenture in connection therewith (except in the case of Refunding Bonds), the City, the YCSD and the Issuer shall enter into a lease or license agreement or amendment to the License, as applicable, to grant an interest in the Facility(ies) to the Issuer, and the Issuer and the School Parties shall enter into an amendment to the Installment Sale Agreement to subject the Facility(ies) to the Installment Sale Agreement and to provide, among other things, that the Installment Purchase Payments payable under the Installment Sale Agreement shall be increased and computed so as to amortize in full the principal of and interest on the Bonds including such Series of Additional Project Bonds. In addition, each of the School Parties and the Issuer shall enter into an amendment to the Tax Compliance Documents.

Each such Series of Additional Project Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Additional Project Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

(1) a copy of the resolution, duly certified by the Secretary of the Issuer, authorizing, issuing and awarding the Additional Project Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Tax Certificate, the License and the Installment Sale Agreement;

(2) original executed counterparts of the Supplemental Indenture and any amendment of or supplement to the License and the Installment Sale Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the License and the Installment Sale Agreement, the Facilities referred to therein and the premises licensed pursuant to the License, as applicable, and sold under the Installment Sale Agreement shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Series 2022 Bonds shall mean and include any Additional Project Bonds that may be issued as well as the Series 2021 Bonds theretofore issued;

(3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Additional Project Bonds and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, and that the issuance of the Additional Project Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for federal income tax purposes;

(4) except in the case of Refunding Bonds refunding all Outstanding Bonds, a certificate of an Authorized Representative of each of the School Parties to the effect that the License, the Arbitrage and Use of Proceeds Certificate and the Installment Sale Agreement continue in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(5) an amount, if required, for deposit in the Debt Service Reserve Fund (or a Reserve Account Credit Facility) so as to make the amount on deposit in such Fund equal to the Debt Service Reserve Requirement after taking into account the issuance of such Additional Project Bonds;

(6) to the extent applicable, those documents required under the Installment Sale Agreement;

(7) an original, executed counterpart of the amendment, if any, to the Tax Compliance Documents; and

(8) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Project Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the School Parties, one or more Series of Additional Project Bonds may be authenticated and issued to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under this heading of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

Refunding Bonds may be authenticated and made available for delivery only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the second paragraph under this heading, as may be applicable) of:

(A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(B) Either:

(i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or

(ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture, and any moneys required pursuant to the Indenture (with respect to all Outstanding Bonds or any part of one or more

series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture.

The City shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Project Bonds issued pursuant to Section 2.7 of the Indenture shall be equally and ratably secured under the Indenture with the Series 2021 Bonds, the Series 2022 Bonds and all other Series of Additional Project Bonds, if any, issued pursuant to the provisions under Section 2.7 of the Indenture, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

Notwithstanding anything in the Indenture to the contrary, no Series of Additional Project Bonds shall be issued unless the State Aid Depository Agreement, the Tax Compliance Documents and the Installment Sale Agreement are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default.

Creation of Funds and Accounts. The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds: (1) Project Fund; (2) Bond Fund with (a) Principal Account (b) Interest Account, and (c) Redemption Account; and (3) Rebate Fund.

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. Additional Accounts, including Accounts within the Project Fund, shall be established upon the issuance of a Series of Additional Project Bonds. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and be subject to the lien of the Indenture (except moneys deposited in the Rebate Fund).

The amounts deposited in the Funds and Accounts (except the Rebate Fund) created under the Indenture shall be subject to a security interest, lien and charge in favor of the Trustee (for the benefit of the Holders of the Bonds) until disbursed as provided in the Indenture, subject to the provisions of the Indenture.

Project Fund. There shall be deposited in the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or otherwise required to be deposited therein pursuant to the Installment Sale Agreement. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in the Project Fund to the payment, or reimbursement, to the extent the same have been paid by or on behalf of the School Parties or the Issuer, of Project Costs.

The Trustee is authorized to disburse from the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks (or make wire transfers if requested by the City) for each disbursement from the Project Fund, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the JSCB.

The completion of the New Community School Project or abandonment thereof shall be evidenced by the filing of a certificate of an Authorized Representative of the JSCB in accordance with the Installment

Sale Agreement. Upon the filing of such certificate, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund for redemption of the Bonds.

In the event the City shall cause the Bonds to be redeemed in whole pursuant to the Installment Sale Agreement, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund for redemption of Bonds.

All earnings on amounts held in the Project Fund, excluding earnings required no less frequently than quarterly to be transferred to the Rebate Fund in compliance with the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be maintained within the Project Fund and made available for Project Costs.

Upon the occurrence and during the continuance of an Event of Default, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments into Rebate Fund; Application of Rebate Fund” below, shall be deposited in the Bond Fund to be applied toward redemption of the Series 2021 Bonds and the Series 2022 Bonds, as applicable.

Proceeds of insurance, condemnation awards or conveyance of one or more Facilities in lieu of condemnation deposited in the Project Fund pursuant to the Installment Sale Agreement shall be disbursed in accordance with the Indenture to pay costs of replacement, repair, rebuilding in or relocation of the affected Facility or to payment of Project Costs as shall otherwise be approved by Nationally Recognized Bond Counsel and permitted under the Yonkers Schools Act or after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and the section under the heading “Payments Into Rebate Fund; Application of Rebate Fund” below, transferred to the Bond Fund to be applied toward redemption of the applicable Series of Bonds.

Payments into Bond Fund. On or before November 10 of each Fiscal Year, commencing November 10, 2021, the Trustee shall deliver a Base Facilities Agreement Payment Certificate (computed as of the immediately preceding last Business Day of October of such Fiscal Year) to the Depository Bank, the Commissioner of Finance and the Collecting Officer in accordance with the State Aid Depository Agreement. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Proceeds from the Series 2021 Bonds and the Series 2022 Bonds shall be deposited in the applicable Interest Account of the Bond Fund pursuant to Section 4.1 (a) of the Indenture. Upon the issuance of any Series of Additional Project Bonds, there shall be deposited in the Interest Account of the Bond Fund such amount, if any, of the proceeds of such Series of Additional Project Bonds as may be set forth in the related Supplemental Indenture.

(b) Moneys received from the Depository Bank pursuant to Section 202(g)(i) (first) of the State Aid Depository Agreement shall be deposited into the Bond Fund and applied first, to the payment of interest (and deposited in the Interest Account), second, to the payment of principal (and deposited in the Principal Account), and third, to the payment of sinking fund payments (and deposited in the Redemption Account).

(c) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of interest on the Bonds, which, subject to the priority for the application of such moneys so received set forth in Section 5.4

of the Indenture, shall be placed in the Interest Account of the Bond Fund and applied, together with amounts available in the Interest Account, to the payment of interest on the Bonds.

(d) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of principal of the Bonds, which, subject to the priority for the application of such moneys so received set forth in Section 5.4 of the Indenture, shall be placed in the Principal Account of the Bond Fund and applied, together with amounts available in the Principal Account, to the payment of principal of the Bonds.

(e) Moneys received from the State Comptroller pursuant to Section 5.4 of the Indenture in respect of Installment Purchase Payments and available for the payment of the Redemption Price of Bonds to be redeemed in whole or in part, which, subject to the priority for the application of such moneys so received set forth in Section 5.4 of the Indenture, shall be placed in the Redemption Account of the Bond Fund and applied, together with amounts available in the Redemption Account, to the payment of the Redemption Price of Bonds to be redeemed in whole or in part.

(f) The excess amounts referred to in the fourth sentence of Section 5.6(c) of the Indenture, which shall be credited to the Interest Account of the Bond Fund.

(g) Moneys transferred by the Trustee from the Redemption Account of the Bond Fund which shall be deposited in either the Interest Account or Principal Account of the Bond Fund, as so directed by an Authorized Representative of the City.

(h) Moneys transferred by the Trustee from the Project Fund to the Redemption Account of the Bond Fund as provided in Section 5.2 of the Indenture (after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Documents and Section 5.11 of the Indenture), which amounts shall be held separately by the Trustee in a restricted subaccount, and may be invested, until applied to the redemption of the applicable Series of Bonds in accordance with Section 2.3(c) of the Indenture, by the Trustee at the direction of the City, and otherwise in accordance with the requirements of Section 5.7 of the Indenture, except the certification by the City required by Section 5.7 of the Indenture shall include an additional certification by the City that the contemplated investment is not at a yield in excess of the yield on the related Series of Bonds.

(i) All other receipts when and if required by the State Aid Depository Agreement, by the Installment Sale Agreement, by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in Section 8.3 of the Indenture) to the Redemption Account of the Bond Fund and applied as provided in Section 5.6(c) of the Indenture.

In the event that any Installment Purchase Payment received by the Trustee shall be an amount insufficient to pay the interest, principal and sinking fund payments next coming due on the Bonds, such amount shall be applied first, to the payment of interest, second, to the payment of principal, and third, to the payment of sinking fund payments.

State Aid to Education Intercept. Pursuant to the Yonkers Schools Act, in the event the City or the YCSD shall fail to make a payment under the Installment Sale Agreement in the amount and by the date the same is due for any reason, including the failure of the State to appropriate moneys for such purpose or as a result of an Event of Nonappropriation, of which failure the Trustee has actual knowledge, in the case of a failed Installment Purchase Payment (or other failed payment payable to the Trustee in its capacity as Trustee), or, in the case of any other failed payment of which the Trustee has received written notice from the party to whom such failed payment is owed under the Installment Sale Agreement, the Issuer irrevocably appoints the Trustee to act as its agent for the purpose of delivering a certificate to the State Comptroller

(in substantially the form set forth in Appendix “C” attached to the Indenture), by no later than the next Business Day following the Trustee obtaining such actual knowledge or such notice of such failed payment, certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall, in accordance with the Yonkers Schools Act, withhold from the City and the YCSD any State Aid to Education payable to the City or the YCSD to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the Trustee on behalf of the Issuer, the amount of such State Aid to Education so withheld. In the event that the State Comptroller should receive more than one such certificate from one or more Trustee of Project Bonds, the Comptroller shall disburse such amounts so withheld on a *pari passu* basis with respect to any and all outstanding Series of Bonds. All such State Aid to Education so received shall be applied with respect to the Bonds on a *pari passu* basis, *first*, to deposit in the Interest Account of the Bond Fund to the extent of any deficiency therein, *second*, to deposit in the Principal Account of the Bond Fund to the extent of any deficiency therein, *third*, if a Debt Service Reserve Fund has been established for a Series of Project Bonds or any Additional Project Bonds, to deposit in the applicable Debt Service Reserve Fund to the extent of any deficiency therein or to reimburse the Reserve Account Credit Facility Provider or any alternative credit facility in substitution therefor, for any amounts owing thereto, *fourth*, to deposit in the Redemption Account of the Bond Fund to the extent of any deficiency therein, *fifth*, to satisfy any obligation of the YCSD under certain indemnification provisions of the Installment Sale Agreement, *sixth* to satisfy any obligation of the JSCB on the YCSD under the liability insurance provisions of the Installment Sale Agreement, and *seventh*, to satisfy any other obligations of the School Parties under the Installment Sale Agreement.

Under the Indenture, the Trustee accepts the appointment by the Issuer as agent as described above and agrees so to act on behalf of the Issuer. Any amounts of such State Aid to Education received by the Trustee from the State Comptroller shall, subject to the priority set forth in the preceding paragraph, be deemed to satisfy the obligation of the City and the YCSD to make such defaulted payment to the extent of the amount received. Any amounts of such State Aid to Education received by the Trustee from the State Comptroller that are not in respect of Installment Purchase Payments shall forthwith be forthwith paid to or upon the order of the Issuer.

The Issuer covenants and agrees in the Installment Sale Agreement that it shall not enter into any agreement, indenture or other instrument, including any Other Indenture or Facilities Agreement, in connection with the issuance of a Series of Project Bonds or any Additional Project Bonds which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept under the Yonkers Schools Act of State Aid to Education payable to the City or the YCSD than the pledge effected pursuant to the Indenture; *provided, however*, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of Additional Project Bonds, to pledge such State Aid to Education on a parity with the pledge effected under the Indenture, or (z) to require that any Series of Project Bonds issued under any Other Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds issued under the Indenture, or that any payment dates under a Facilities Agreement be the same as those under the Installment Sale Agreement.

Application of Bond Fund. The Trustee shall: (i) on each Interest Payment Date on the Bonds pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds; and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption of Bonds.

The Trustee shall on each principal payment date on the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if

any, due on the Bonds, upon the presentation and surrender of the requisite Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Bonds).

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the City, as promptly as practicable, to the purchase of Bonds of a Series as directed by the City at prices not exceeding the Redemption Price thereof applicable on the earliest date upon such Series of Bonds are next subject to optional redemption, plus in each case accrued interest to the date of redemption (accrued interest on such Bonds being payable out of the Interest Account of the Bond Fund). Any Bonds purchased in lieu of a mandatory redemption shall be surrendered to the Trustee for cancellation. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date; provided that if such amount aggregates less than \$5,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the section under the heading "Defeasance" below) shall be transferred to the Interest Account. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the section under the heading "Selection of Bonds to be Redeemed" below. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the redemption date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund).

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account or the Principal Account of the Bond Fund, as directed by an Authorized Representative of the City.

In the event of the issuance of a Series of Refunding Bonds pursuant to the section under the heading "Additional Project Bonds" above, the Trustee shall, upon the written direction of the City, withdraw from the specified Accounts of the Bond Fund those amounts deposited in each such Account so specified held for the payment of the principal, Sinking Fund Installments, Redemption Price and interest on the Series of Bonds or principal portion thereof to be refunded, provided, however, that such withdrawal shall not be made unless (i) immediately thereafter, the Series of Bonds or principal portion thereof being refunded shall be deemed to have been paid pursuant to the section under the heading "Defeasance" below, and (ii) the amount remaining in each Account of the Bond Fund after such withdrawal shall not be less than that amount otherwise then required to be on deposit in each such Account to pay the principal, Sinking Fund Installments, Redemption Price and interest of those Series of Bonds or principal portions thereof not being refunded.

Investment of Funds and Accounts. Amounts in the Bond Fund, any applicable Debt Service Reserve Fund, the Project Fund and the Rebate Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments; provided, that, Qualified Investments in any applicable Debt Service Reserve Fund shall not have a maturity date greater than ten (10) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the holder for the purposes required or permitted pursuant to the Indenture. Any investment authorized by the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the City. Any investment under the Indenture shall be made in accordance with the Tax Compliance Documents, and the City shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net

income or gain received and collected from such investments shall in the case of the Project Fund or the Bond Fund, be credited and losses charged to such Fund, as applicable, subject however to Section 5.11 of the Indenture, and in the case of any applicable Debt Service Reserve Fund, be credited and losses charged to such Fund, subject, however, to Section 5.5(d) of the Indenture.

Upon timely request of an Authorized Representative of the City, the Trustee shall notify the City ten (10) days prior to each Installment Purchase Payment Date under the Installment Sale Agreement of the amount of such net investment income or gain received and collected subsequent to the last such Installment Purchase Payment and the amount then available in the Project Fund and in each Account of the Bond Fund.

Upon and pursuant to the written direction of an Authorized Representative of the City, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of this Article. The Trustee shall not be liable for any losses incurred as a result of actions taken in good faith in accordance with Section 5.7(c) of the Indenture. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the City.

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee on the last Business Day of each October.

The fair market value of Qualified Investments shall be determined as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and

(3) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of “fair market value” shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Neither the Trustee nor the Agency shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested. The investments authorized by Section 5.7 of the Indenture shall at all times be subject to the provisions of applicable law, as amended from time to time.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture (excluding the Rebate Fund) and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and while held by the Trustee constitute part of the Trust Estate, and be subject to the lien of the Indenture. Moneys held by the Depository Bank under the State Aid Depository Agreement are not part of the Trust Estate unless and until the same are transferred to the Trustee for deposit in the Bond Fund or any applicable Debt Service Reserve Fund in accordance with the State Aid Depository Agreement. Moneys held by the Trustee in the Rebate Fund are not part of the Trust Estate nor subject to the lien of the Indenture.

Repayment to the City For the Benefit of the YCSD from the Funds. After payment in full of the Bonds (in accordance with the defeasance provisions of the Indenture) and the payment of all fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid under the Indenture and under each of the Security Documents, and the payment of any amounts are required to be rebated to the federal government pursuant to the Indenture and the Tax Compliance Documents, all amounts remaining in the Project Fund and the Bond Fund and if applicable, the Debt Service Reserve Fund shall, with the written opinion of Nationally Recognized Bond Counsel, be paid to the City for the YCSD upon the expiration or sooner or later termination of the term of the Installment Sale Agreement.

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bondholder or any other Person.

The Trustee, following the receipt of a certificate of written direction from an Authorized Representative of the City pursuant to the Tax Compliance Documents, shall deposit in the Rebate Fund that amount from the Project Fund or any applicable Debt Service Reserve Fund, to the extent available, as shall be so specified in such certificate of written direction as necessary to satisfy the requirements of the Tax Compliance Documents.

In the event that the amount on deposit in the Rebate Fund exceeds the Rebate Requirement as determined in accordance with the Tax Compliance Documents, the Trustee, upon the receipt of written instructions from an Authorized Representative of the City, shall withdraw such excess amount and deposit it: (i) to any Account of the Project Fund; (ii) to any applicable Debt Service Reserve Fund to the extent of any deficiency therein, or (iii) to the Interest Account of the Bond Fund, as the City shall determine.

The Trustee, upon receipt of written instructions from an Authorized Representative of the City, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series of the Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Requirement with respect to such Series of Bonds as of the date of such payment and (ii) notwithstanding the provisions of the section under the heading "Defeasance" below, not later than thirty (30) days after the date on which all Bonds have been paid in full, 100% of the Rebate Requirement as of the date of payment.

The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the City to make such transfer.

Selection of Bonds to Be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity for which there is more than one registered Bond, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair. In the event of redemption of less than all the Outstanding Bonds of the same

Series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed shall be applied in such order of maturity as shall be directed by an Authorized Representative of the City delivered to the Trustee, or, in the absence of any such direction, inverse order of maturity of the Outstanding Series of Bonds to be redeemed and randomly within a maturity; provided, however, that in the case of any redemption of a Series of Bonds in accordance with the Indenture, the Authorized Representative of the City shall select the Bonds to be redeemed only (x) in inverse order of maturity, or (y) proportionately to each Outstanding maturity of the Bonds of such Series. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for: (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption; and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

No Partial Redemption After Default. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default thereunder, there shall be no redemption of less than all of the Bonds Outstanding other than a redemption required with respect to excess bond proceeds or insurance or condemnation proceeds unless there shall have been delivered to the Trustee an opinion of Nationally Recognized Bond Counsel that the failure to redeem Bonds to the extent of such proceeds shall not have an adverse effect on the tax-exempt status of interest on the Bonds.

Payment of Principal and Interest. The Issuer covenants that it will from the sources contemplated by the Indenture promptly pay or cause to be paid the principal of and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the principal thereof, the interest thereon, nor the Redemption Price thereof, if any, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State or of the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. The Issuer shall not be required under the Indenture or the Installment Sale Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the Installment Purchase Payments pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the IDA Act, and the Yonkers Schools Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to sell its interest in the Facilities under the

License pursuant to the Installment Sale Agreement, to assign the Installment Sale Agreement and to pledge the Installment Purchase Payments pledged in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Issuer according to the import thereof.

Creation of Liens; Indebtedness; Sale of Facilities. Except to the extent contemplated in the last paragraph under the heading “State Aid to Education Intercept” above with respect to the issuance of Project Bonds under an Other Indenture other than the Indenture, the Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Pledge and Assignment and the Installment Sale Agreement. The Issuer further covenants and agrees not to sell (except pursuant to the Installment Sale Agreement), convey, transfer, lease, sublease, mortgage or encumber the real property constituting part of the Facilities or any of them or any part of such real property, except as specifically permitted under the Indenture and the Installment Sale Agreement, so long as any of the Bonds are Outstanding. The Issuer shall have no pecuniary liability for its covenants set forth in the Indenture, including those described under this heading.

Issuer Tax Covenant. The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the School Parties or the Trustee, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance.

Events of Default; No Acceleration of Due Date. Each of the following events shall constitute an “Event of Default”:

- (1) Failure to duly and punctually pay the interest on any Bond when the same shall become due and payable;
- (2) Failure to duly and punctually pay the principal or redemption premium, if any, of any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;
- (3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in subparagraphs (1) and (2) above) and (A) continuance of such failure for a period of thirty (30) days after receipt by the Issuer and the School Parties of written notice specifying the nature of such default from the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Issuer or any of the School Parties fail to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; and
- (4) The occurrence of an “Event of Default” under Section 8.1(c) of the Installment Sale Agreement.

In no event shall the principal of any Bond be declared due and payable in advance of its final stated maturity, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

Enforcement of Remedies. Subject to the last paragraph of the immediately preceding heading, upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed and, upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding to protect and enforce its rights and the rights of the Bondholders under the IDA Act, the Yonkers Schools Act, the Bonds, the Installment Sale Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity (including mandamus) or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the IDA Act or the Yonkers Schools Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

In the enforcement of any right or remedy under the Indenture, under any other Security Document, under the IDA Act or under the Yonkers Schools Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the School Parties or the Issuer or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and in each case furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the provisions of the Indenture relating to compensation of the Trustee, the Bond Registrar and the Paying Agents, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

After payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, the funds realized following the occurrence of an Event of Default shall be applied *first*, as provided in paragraph First and Second of this heading; *second*, to pay any amounts which the School Parties are required to rebate to the federal government pursuant to the Indenture and the Tax Compliance Documents; *third*, to satisfy any obligation of the YCSD regarding indemnification of the Issuer and the Trustee; *fourth*, to satisfy any obligation of the JSCB and the YCSD regarding the maintenance of liability insurance; and *fifth*, to satisfy any other obligations of the School Parties under the Installment Sale Agreement. Nothing outlined under this heading shall be deemed to modify the application of State Aid to Education payable to City or the YCSD pursuant to the provisions outlined above under the heading "State Aid to Education Intercept."

Whenever moneys are to be applied pursuant to the above provisions, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such written notice to all Bondholders promptly upon receipt of the deposit with it of any such moneys of such deposit and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Actions by Trustee. All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions outlined above under the heading "Application of Revenues and Other Moneys After Default," be for the equal benefit of the Holders of the Outstanding Bonds.

Majority Bondholders Control Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Bondholder Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the IDA Act or the Yonkers Schools Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions described under the headings “Application of Revenues and Other Moneys After Default” and “Majority Bondholders Control Proceedings” above, be for the equal benefit of all Holders of the Outstanding Bonds, to the extent permitted by law.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner provided in the Indenture and in said Bonds expressed.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Issuer, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee, of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Issuer, to registered Holders of Bonds and to the School Parties by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required under this heading.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences only upon the written request of the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee and reasonable legal fees and expenses in connection with such default shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

Indemnity. The Trustee shall be under no obligation to institute any suit, or to take any remedial action under the Indenture or under any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created or in the enforcement of any rights and powers under the Indenture, or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct, unlawful conduct or negligence.

Approvals or Consents by Trustee. The Trustee shall grant no approval, request or consent under the Security Documents except at the direction of the Holders of a majority in aggregate principal amount of the affected Series of Bonds Outstanding.

Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Installment Sale Agreement and any other amounts required to be rebated to the federal government pursuant to the Tax Compliance Documents or the Indenture, shall be paid in full or duly provided for, then the pledge of the Installment Purchase Payments under the Indenture and the estate and rights thereby granted, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below. At the time of such cessation, termination, discharge and satisfaction, the Trustee and the Paying Agents shall, with the written opinion of Nationally Recognized Bond Counsel, pay over or deliver to the City for the benefit of the YCSD or on its order all moneys or securities held by them pursuant to the Indenture which are not required: (i) for the payment of principal or Redemption Price, if applicable, or interest on Bonds not theretofore surrendered for such payment or redemption; (ii) for the payment of all such other amounts due or to become due under the Security Documents; or (iii) for the payment of any amounts to the federal government under the Tax Compliance Documents or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (and/or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption

date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in first paragraph under this heading, if: (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice; and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds upon surrender thereof of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Prior to any defeasance becoming effective as provided in the immediately preceding paragraph, there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel addressed to, and acceptable in form and substance to, the Issuer and the Trustee to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and that the Bonds being defeased are no longer "Outstanding" under the Indenture; (B) a verification report from an independent certified public accountant or firm of independent certified public accountants or other recognized consultant or verification agent (in each case reasonably acceptable to the Issuer and to the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased on the maturity or redemption date, as applicable; (C) an escrow deposit agreement (reasonably acceptable to the Issuer and the Trustee); and (D) a certificate of discharge of the Trustee with respect to the Bonds being defeased.

Supplemental Indentures Without Bondholders' Consent. The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders, for any of the following purposes:

- (1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.
- (2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Installment Purchase Payments or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure the federal tax exemption of the interest on the Bonds.

(7) To authorize the issuance of a Series of Additional Project Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(8) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(9) To effect the delivery of a Credit Facility and/or a Qualified Swap for a Series of Bonds.

(10) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of either thereof under the Trust Indenture Act of 1939 or any similar federal statute in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(11) To permit the appointment of a co-trustee under the Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms.

Supplemental Indentures With Consent of Bondholders. Subject to the terms and provisions contained in the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that if any such Supplemental Indenture would affect only the Holders of a single Series of Bonds then Outstanding, then only the consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding of such affected Series of Bonds shall be required. Nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, or a change in the method of determining the rate of interest on any Bond, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of Installment Purchase Payments other than the liens or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Project Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) of this paragraph, the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of this heading, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to S&P, Moody's and all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Holders of not less than a majority, or one hundred percent (100%), as the case may be, in aggregate principal amount of the Bonds then Outstanding (or, if such Supplemental Indenture shall affect only a single Series of Bonds, then only the written consent of the written consents of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

The Holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of School Parties. Any Supplemental Indenture which materially and adversely affects any rights, powers and authority of the School Parties under the Installment Sale Agreement or requires a revision of the Installment Sale Agreement shall not become effective unless and until the School Parties shall have given their written consent to such Supplemental Indenture signed by an Authorized Representative of each of the School Parties.

Amendments of Related Security Documents Not Requiring Consent of Bondholders. Subject to the heading immediately below, the Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to provide for the issuance of a Series of Additional Project Bonds; (v) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (vi) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; and (vii) to make any other change that, in the judgment of the Trustee (which, in exercising

such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to the Indenture. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds Outstanding.

Amendments of Related Security Documents Requiring Consent of the Bondholders. Except as provided in the immediately preceding heading, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding given and procured as provided in the heading “Supplemental Indentures with Consent of Bondholders” above (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); provided, however, there shall be no amendment, change or modification to (i) the obligation of the City and the YCSD to make Installment Purchase Payments under the Installment Sale Agreement (except as provided therein or in connection with the issuance of a Series of Additional Project Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the heading “Supplemental Indentures With Consent of Bondholders” above (or, if such amendment, change or modification shall affect only one Series of Bonds, the consent of the Holders of one hundred percent (100%) in aggregate principal amount of the affected Series of Bonds Outstanding), or (ii) the Tax Compliance Documents without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on such Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the School Parties shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed to the same Persons and in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exemption from federal income taxation of interest on any Series of Bonds Outstanding.

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SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT SALE AGREEMENT

The following is a summary of certain provisions of the Installment Sale Agreement. This summary is qualified in its entirety by reference to the document itself.

Sale of the Facilities. The Issuer sells to the City and the YCSD, and the City and the YCSD purchase from the Issuer, the Issuer's interest in the Project Site and improvements comprising the Facilities and Equipment in their "as is," "where is" and "subject to all faults condition" and upon and subject to the terms and conditions set forth in the Installment Sale Agreement. The YCSD shall at all times during the Agreement Term occupy, maintain, use and operate the Facilities, or cause the Facilities to be occupied, maintained, used and operated, in the same manner as existing school buildings owned by the City and operated and maintained by the YCSD as of the Closing Date and as a "project" in accordance with the provisions of the Yonkers Schools Act and the IDA Act and for the general purposes specified in the recitals to the Installment Sale Agreement. The YCSD shall not occupy, use or operate the Facilities or allow the Facilities or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facilities or which may constitute a nuisance, public or private.

Agreement Term. The Agreement Term shall commence on September 16, 2021, and shall expire on midnight (New York City time) on May 1, 2051 (but in no event sooner than the date upon which the Bonds shall cease to be Outstanding and the lien of the Indenture shall have been discharged) or such earlier date as the Bonds shall cease to be Outstanding and all amounts payable by the YCSD and/or the City hereunder have been paid in full. The Issuer hereby delivers to the YCSD and the YCSD hereby accepts sole and exclusive possession of the Facilities, subject to the terms and conditions herein set forth. The Issuer makes no representations whatsoever in connection with the condition of the Facilities, and the Issuer shall not be liable for any defects therein.

Termination of License. The Issuer's interest in the Facilities shall be conveyed (subject to the terms of the Security Documents) from the Issuer to the YCSD and the City upon the date of completion or abandonment of the New Community School Project, as evidenced by the certificate of the JSCB delivered in accordance with the Installment Sale Agreement. The Installment Sale Agreement shall survive the transfer of the Issuer's interest in the Facilities to the YCSD and the City and shall remain in full force and effect until all of the principal of, and interest and premium, if any, on the Bonds and all other sums payable by the YCSD and/or the City under the Project Documents shall have been paid in full, and thereafter the indemnification obligations of the YCSD and release by the School Parties shall survive as set forth in the Installment Sale Agreement.

The New Community School Project. Pursuant to the License, the City and the YCSD have vested the Issuer with a valid license in the Facilities including the Equipment, which interest the Issuer is selling to the YCSD and the City, subject to the terms and conditions set forth in the Installment Sale Agreement.

As promptly as practicable after receipt of the proceeds of sale of the Series 2021 Bonds, and out of said proceeds of sale, the JSCB will proceed as agent for and on behalf of the Issuer to effect the construction and/or equipping of the New Community School Project using the proceeds of sale of the Series 2021 Bonds deposited in the Project Fund established under the Indenture. As promptly as practicable after receipt of the proceeds of sale of the Series 2022 Bonds, and out of said proceeds of sale, the JSCB will proceed as agent for and on behalf of the Issuer to effect the completion of construction and/or equipping of the New Community School Project using the proceeds of sale of the Series 2022 Bonds deposited in the Project Fund established under the Indenture. The JSCB agrees that it will use its

best efforts to cause the New Community School Project to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control (as applicable) only excepted. The City and the YCSD agree that no delay in the completion of the New Community School Project shall be the basis for any diminution in or postponement of the amounts payable hereunder by the City and the YCSD. In order to effect management of such work, the JSCB has entered into the Program Manager Agreement and a Construction Contract for construction and completion of the New Community School Project in accordance with the applicable Plans and Specifications and construction schedule approved by the Program Manager. The Program Manager Agreement, each Construction Contract and each other agreement, contract, purchase order or other obligation entered into by the JSCB as agent for the Issuer shall expressly provide that the Issuer shall have no liability thereunder, except to the extent of proceeds from the sale of the Series 2021 Bonds and the Series 2022 Bonds which may be available therefor. The Issuer shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any materials to be incorporated into a Facility or Facilities, except to the extent and solely from the proceeds of sale of the Series 2021 Bonds and the Series 2022 Bonds. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the work with respect to the New Community School Project in full, none of the School Parties shall be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Series 2021 Bonds and the Series 2022 Bonds (except from proceeds of Additional Project Bonds which may be issued for that purpose), nor shall the City and YCSD be entitled to any diminution of the Installment Purchase Payments or Additional Payments to be made under the Installment Sale Agreement.

As between the Issuer and the JSCB, the JSCB, acting specifically as agent for the benefit of the Issuer, shall be responsible for the letting and supervision of contracts for the acquisition, construction, reconstruction, and equipping of a Facility, acceptance of a completed Facility or parts thereof, and all other matters incidental thereto. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, services, equipment, furnishings or materials for or in connection with the work with respect to a Facility shall be designated by the JSCB, either on its own or as agent for the Issuer.

As between the Issuer, on the one hand, and the School Parties, on the other hand, the School Parties shall pay: (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance and transfer of an interest in the Facilities to the Issuer pursuant to the License, the delivery of any instruments and documents and their filing and recording, if required; (ii) all taxes and charges payable, if any, in connection with such conveyance and transfer, or attributable to periods prior to such conveyance and transfer; and (iii) all expenses or claims incurred in connection with the New Community School Project and not funded from the proceeds of sale of the Series 2021 Bonds and the Series 2022 Bonds (or any other Series of Additional Project Bonds).

The City and YCSD covenant and agree to continue the Intermunicipal Agreement for its entire term and such additional terms as shall be required to complete the New Community School Project.

The JSCB covenants that, at all times as it shall be effecting the work on the New Community School Project it will comply with all laws, acts, rules, regulations, permits, orders and requirements lawfully made, of any Federal, State, legislative, executive, administrative or judicial body, commission or office exercising any power of regulation or supervision over such work or over the manner of construction or operation thereof and with the conditions and requirements of all policies of liability insurance as specified in the Installment Sale Agreement. Upon completion of the work with respect to a Facility, the JSCB will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of such Facility for the purposes contemplated by the Installment Sale Agreement and shall furnish copies of same to the Trustee, immediately upon receipt thereof.

The JSCB further covenants that all contracts entered into by the JSCB for the New Community School Project in connection with the design, construction, rehabilitation, reconstruction and/or equipping of a Facility shall: (i) be made in accordance with applicable law, including, but not limited to, the Yonkers Schools Act; (ii) contain a provision that the design and construction standards therefor shall be subject to the review and approval of the New York State Education Department; and (iii) contain a provision that the contractor shall furnish a labor and material bond guaranteeing prompt payment of moneys that are due to all persons furnishing labor or materials pursuant to the related contract and a performance bond, complying with New York General Municipal Law § 103-f.

The JSCB also covenants to cause its contractors, architects, consultants and others with whom it contracts with respect to the design, construction, rehabilitation, reconstruction, and/or equipping of a Facility, to provide liability insurance coverage against all forms of risk which are appropriate, including general and professional liability insurance normally associated with the type and nature of the service, product or combination thereof, contracted to be provided by such contractors, architects, consultants and others, and to name the Issuer as an additional insured as its interest may appear. The JSCB shall promptly deliver to the Issuer appropriate certificates of insurance evidencing the amount and scope of all liability insurance provided by each contractor, architect, consultant or other person pursuant to a contract with the JSCB with respect to the design, construction, rehabilitation, reconstruction, equipping, operation, maintenance and/or repair or otherwise providing work with respect to a Facility.

Upon the completion or abandonment by the JSCB of the New Community School Project or any portion thereof, the JSCB shall deliver a certificate of an Authorized Representative of the JSCB to the Issuer and the Trustee to such effect.

Additional Facilities. The Issuer and the School Parties recognize that, under the provisions of and subject to the conditions set forth in the Indenture, one or more Series of Additional Project Bonds may be issued may be issued from time to time under and pursuant to the Indenture or an Other Indenture to finance the costs of the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of the New Community School Project and/or Additional Facilities.

Payment of Installment Purchase Payments. Subject to Section 4.4 of the Installment Sale Agreement, the City and the YCSD agree to pay or cause to be paid, the Base Installment Purchase Payments for the Facilities, in the aggregate amounts as set forth in Schedule A-3 to the Agreement. Amounts equal to all Base Installment Purchase Payments are required to be made by or on behalf of the City and the YCSD to the Trustee in accordance with the State Aid Depository Agreement by no later than each Base Installment Purchase Payment Date; *provided, however*, that there shall be credited against any Base Installment Purchase Payments any amounts available for such purpose and on deposit in the Bond Fund, including any amounts deposited to a Bond Fund pursuant to Section 4.1(a) and Section 5.4 of the Indenture.

Notwithstanding the foregoing, in the event the City Council shall have failed to appropriate by any November 1, commencing November 1, 2022, the amount required to make the Base Installment Purchase Payment due on the immediately succeeding April 1 (as set forth in Schedule A-3 to the Agreement) less any amount on deposit in a Bond Fund on such November 1 and available on such date, then: (y) the YCSD shall promptly deliver written notice of such failure to the Issuer and Trustee, and (z) that Base Installment Purchase Payment next due on such immediately succeeding April 1 (less any amount on deposit in the applicable Bond Fund on such November 1 and available on such date) shall instead be due on the November 15 immediately following such November 1 as if that November 15 were the originally scheduled Base Installment Purchase Payment Date.

The City and YCSD shall have the option to make from time to time prepayments in part of payments due as aforesaid Base Installment Purchase Payments, together with interest accrued and to accrue and premium, if any, to be paid on the Series 2021 Bonds and/or the Series 2022 Bonds, if, but only if, such prepayment is to be used for the redemption or defeasance of such Series 2021 Bonds and/or the Series 2022 Bonds, as applicable. The Trustee shall apply such prepayments in such manner consistent with the provisions of the related Indenture as may be specified in writing by an Authorized Representative of the YCSD at the time of making such prepayment. Upon any such prepayment, the Trustee for the Series 2021 Bonds and/or the Series 2022 Bonds, as applicable, shall, if necessary, and as applicable, recalculate the schedule of Base Installment Purchase Payments as set forth in the Schedule A-1 or Schedule A-2, as applicable (as well as Schedule A-3) attached to the Agreement, and deliver revised schedules to the YCSD and the Issuer, and such revised schedules shall be deemed to replace the then-existing Schedule A-1 or Schedule A-2, as applicable (as well as Schedule A-3) attached to the Agreement.

Direction as to Payment of Installment Purchase Payments. Installment Purchase Payments shall be paid to the Trustee for credit to the Bond Fund under the Indenture.

Indemnification of the Issuer and the Trustee and Limitation on Liability. The YCSD shall, to the maximum extent permitted by law, at all times protect, defend and hold the Issuer, the Trustee, any Bond Registrar, any Paying Agents and the Depository Bank and their respective officers, members, directors, employees and agents (collectively, the “Indemnified Parties”) harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, and taxes (of any kind and by whomsoever imposed), other than, with respect to any Indemnified Party, losses arising from the negligence or willful misconduct of such Indemnified Party, arising upon or about any of the Facilities or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Projects and the marketing, remarketing, issuance and sale of the Bonds from time to time for such purpose, (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or financing of the Facilities or any part of any thereof or the effecting of any work done in or about any of the Facilities, (iii) any defects (whether latent or patent) in any of the Facilities, (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of any of the Facilities or any portion thereof, or (v) any Project Document or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby. Such indemnification set forth above shall be binding upon the YCSD for any and all claims, demands, expenses, liabilities and taxes set forth herein and shall survive the termination of the Project Documents. Except as provided above, no Indemnified Party shall be liable for any damage or injury to the person or property of the any School Party or its officials, members, directors, officers, employees, agents or servants or persons under the control or supervision of any School Party, or any other Person who may be about any of the Facilities, due to any act or negligence of any Person other than for the negligence or willful misconduct of such Indemnified Party.

Each School Party releases each Indemnified Party from, and agrees, to the maximum extent permitted by law, that no Indemnified Party shall be liable for and agrees to defend, indemnify and hold each Indemnified Party harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in the Installment Sale Agreement or at the direction of any School Party with respect to any of such matters above referred to; provided, however, that such indemnification by the YCSD shall not extend to any Indemnified Party whose negligence or willful misconduct resulted in such expense, loss, damage, injury or liability. An Indemnified Party shall promptly notify the YCSD in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the YCSD pursuant to the Installment Sale Agreement; such notice shall be given in sufficient time to allow the YCSD to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall

not constitute a defense under the Installment Sale Agreement nor in any way impair the obligations of the YCSD under the Installment Sale Agreement, except that if (i) the Indemnified Party shall have had knowledge or notice of such claim or action but shall not have promptly notified the YCSD of any such claim or action, (ii) the YCSD shall have had no knowledge or notice of such claim or action, and (iii) the YCSD's ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the Indemnified Party, then the YCSD's obligation to so defend and indemnify such Indemnified Party shall be qualified to the extent (and only to the extent) of such material impairment.

The indemnifications and protections set forth in the Installment Sale Agreement shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

Anything to the contrary in the Installment Sale Agreement notwithstanding, the indemnification, hold harmless and release covenants of the School Parties contained in the Installment Sale Agreement shall remain in full force and effect after the termination of the Installment Sale Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions therein specified.

None of the School Parties shall be deemed an employee, agent or servant of the Issuer or under the Issuer's control or supervision.

Nature of Obligations of the City and the YCSD. Except as otherwise provided under this heading, the obligation of the City and the YCSD to pay Installment Purchase Payments and Additional Payments shall be absolute and unconditional, and such Installment Purchase Payments and Additional Payments shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee, any purchaser of any Bond or any other person, and whether or not the Facilities or any of them are used or occupied by the School Parties or available for use or occupancy by the School Parties.

The obligation of the YCSD to pay Installment Purchase Payments shall be deemed executory only to the extent of State Aid to Education appropriated by the State and available therefor for the purpose of the Installment Sale Agreement and the State Aid Depository Agreement, appropriated by the City Council for such purpose after submission by the YCSD of its anticipated annual expenditures to the Mayor of the City, and approved by the YCSD for payment after appropriation by the City Council, and no liability on account thereof shall be incurred by the City and the YCSD beyond the amount of such moneys; *provided however*, that the failure of the City and the YCSD for any reason (including a failure by the YCSD to budget amounts for Installment Purchase Payments, a failure by the City Council to appropriate such amounts and the YCSD to approve payment of such amounts, or a failure by the State to appropriate State Aid Revenues) to make an Installment Purchase Payment or an Additional Payment shall be deemed a failure to make a payment for purposes of the Installment Sale Agreement and the Yonkers Schools Act, and in such event, the Issuer has appointed the Trustee to act as its agent for purposes of taking action under the intercept provisions of the Yonkers Schools Act. Further, the obligation of the City and the YCSD to pay Installment Purchase Payments is not a general obligation of the City or the YCSD. Neither the full faith and credit of the City nor the taxing power of the City is pledged to the payment of any Installment Purchase Payment or Additional Payment due under the Installment Sale Agreement. However, the obligations of the YCSD and the City under the Installment Sale Agreement to pay Additional Payments shall be a general obligation of the City and the YCSD, executory, however, only to the extent of moneys budgeted by the YCSD and approved and appropriated therefor by the City Council. It is understood that

neither the Installment Sale Agreement nor any representation by any public employee or officer creates any legal or moral obligation to appropriate or make moneys available for the purposes of the Installment Sale Agreement.

The obligations of the City and the YCSD under the Installment Sale Agreement, including their respective obligation to pay the Installment Purchase Payments and Additional Payments in any Fiscal Year for which the Installment Sale Agreement is in effect, shall constitute a current expense of the City and the YCSD for such Fiscal Year and shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available to the City and the YCSD for the payment of any Installment Purchase Payment coming due under the Installment Sale Agreement shall be moneys comprising State Aid to Education lawfully appropriated by the State and available therefor from time to time to or for the benefit of the YCSD, and approved and appropriated for such purpose by the City Council.

The YCSD agrees that (i) its proposed expense budget for each ensuing Fiscal Year commencing with the Fiscal Year ending June 30, 2023 shall include, either as a separate item of expenditure or as an expenditure within a budget item, the amount of Installment Purchase Payments and Additional Payments to come due in such next Fiscal Year; and (ii) it shall approve payment of such Installment Purchase Payments and Additional Payments after appropriation by the City Council therefor. The City agrees that it shall approve a budget for the YCSD containing such item of expenditure or budget item and appropriate sufficient funds each ending Fiscal Year commencing with the Fiscal Year ending June 30, 2023 to make the Installment Purchase Payments and Additional Payments to come due in such next Fiscal Year, provided, however, that any such appropriation (y) of Installment Purchase Payments shall only be payable by the City and the YCSD to the extent of State Aid Revenues, and (z) of Additional Payments shall only be payable by the City and the YCSD to the extent contained in the YCSD budget approved by the City Council.

Subject to the limitations contained in the second paragraph under this heading, none of the School Parties will terminate the Installment Sale Agreement (other than such termination as is provided for therein) or be excused from performing its obligations therein for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of any of the Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of any of the Facilities, or the failure of the Issuer to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Installment Sale Agreement.

The School Parties presently intend to continue the Installment Sale Agreement for its entire term and to pay all Base Installment Purchase Payments specified in Schedule A-3 attached to the Installment Sale Agreement as such Base Installment Purchase Payments come due under the terms and provisions of the Installment Sale Agreement.

No provision contained above shall be deemed to limit, impair or modify the intercept provisions of the Yonkers Schools Act or the application of the implementing provisions of the Indenture.

For purposes of this heading, references to the “approval” of the YCSD budget by the City shall include the affirmative approval of the YCSD budget by ordinance of the City’s City Council approved by the Mayor of the City or, in the absence of such an ordinance, the effectiveness by the passage of time of an YCSD budget pursuant to the charter of the City.

Directed State Aid Revenues. Pursuant to instructions, the Commissioner of Finance of the City and the President of the Board of Education have directed the State Comptroller’s Office to deposit all State

Aid to Education into the State Aid Depository Fund established under the State Aid Depository Agreement, and the Commissioner of Finance of the City and the President of the Board of Education have further instructed the Depository Bank, pursuant to the terms and provisions of the State Aid Depository Agreement, to transfer State Aid to Education to the Trustee for the Series 2021 Bonds and the Series 2022 Bonds in accordance with the State Aid Depository Agreement for the purpose of, in the case of the Indenture, making deposits in the Bond Fund with respect to amounts due on the Series 2021 Bonds and the Series 2022 Bonds and for replenishing deficiencies in the Debt Service Reserve Fund, if any. The City and the YCSD agree not to modify the procedures set forth in the State Aid Depository Agreement for the collection, deposit or disbursement of State Aid Revenues, except as and to the extent permitted under the State Aid Depository Agreement.

Each of the City and the YCSD acknowledges that, pursuant to the intercept provisions of the Indenture (and the Yonkers Schools Act), in the event of a failure to make a payment under the Installment Sale Agreement in the amount and by the date the same is due (for any reason, including the failure of the YCSD or the City Council to budget for and appropriate moneys for such purpose and approve payment thereof with moneys appropriated therefor), the Issuer has appointed the Trustee to act as its agent under the Indenture for the purpose of delivering a certificate to the State Comptroller certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the City and the YCSD such State Aid to Education as is payable to the City or the YCSD to the extent of the amount so certified, and the State Comptroller shall immediately pay to the Trustee on behalf of the Issuer, the amount of such State Aid to Education so withheld. Notwithstanding anything to the contrary contained in the Installment Sale Agreement, amounts of such State Aid to Education received by the Trustee on behalf of the Issuer and applied to the Installment Purchase Payments or Additional Payments shall be deemed to satisfy the obligation of the City and the YCSD to make such defaulted payment to the extent of the amount received.

Operation, Maintenance and Repair. During the Agreement Term, the YCSD shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good and safe condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of any of the Facilities, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of any of the Facilities, or to furnish any utilities or services for any of the Facilities and the YCSD agrees to assume full responsibility therefor.

Utilities, Taxes and Governmental Charges. The YCSD will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Agreement Term.

In addition, the YCSD shall (i) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any Federal, state or any municipal government upon the Issuer, the City or the YCSD with respect to or upon any of the Facilities or any part thereof or upon any payments under the Installment Sale Agreement when the same shall become due; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon the payments in respect thereof under the Installment Sale Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon any payments under the Installment Sale Agreement and all lawful claims or

demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Installment Sale Agreement.

Additions, Enlargements and Improvements. The YCSD shall have the right at any time and from time to time during the Agreement Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, any of the Facilities, as the YCSD shall deem necessary or desirable in connection with the use of such Facilities. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the related Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the affected Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances.

Additional Rights of YCSD. The Issuer agrees that the YCSD shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense equipment (not constituting part of the New Community School Project) in or upon any Facility as may in the YCSD's judgment be necessary for its purposes. It is further understood and agreed that any equipment erected or installed under the provisions of this Section shall be and remain the personal property of YCSD and, if not constituting part of the New Community School Project shall not become subject to this Agreement, and may be removed, altered or otherwise changed, upon or before the termination hereof.

Liability Insurance. The JSCB shall maintain or cause to be maintained with responsible insurers, for the benefit of the Issuer and the Trustee until the later of the completion of the New Community School Project in accordance with the provisions of the Installment Sale Agreement set forth under the heading "The Project Fund", the following kinds and the following amounts of insurance with respect to the Facilities, with such variations as shall reasonably be required to conform to customary insurance practice:

During any period of construction or reconstruction of any of the Facilities, Builders' Special Form Insurance written on "100% builders' risk completed value, non-reporting form" including coverage therein for "completion and/or premises occupancy" and coverage for property damage insurance, all of which insurance shall include coverage for removal of debris, insuring the buildings, structures, facilities, machinery, equipment, fixtures and other property included within reconstruction of any of the Facilities against loss or damage by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the School Parties, the Issuer or the Trustee from becoming a co-insurer of any loss under the insurance policies; any such insurance may limit coverage to \$20,000,000 for any one Facility;

During any period of construction or reconstruction of any of the Facilities, commercial public liability insurance with respect to the construction activities at the Facilities in a minimum amount of \$26,000,000 per occurrence and aggregate, which insurance may be effected under overall blanket or excess coverage policies, provided, however, that at least \$1,000,000 is effected by a comprehensive liability insurance policy; and

Workers' compensation insurance and such other forms of insurance which the City, the YCSD or the Issuer is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of any contractor or subcontractor performing work with respect to any of the Facilities included within the Projects; the JSCB shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by law.

Prior to the commencement of construction of the Facilities, the JSCB shall deliver or cause to be delivered to the Issuer and the Trustee duplicate copies of insurance policies obtained by the JSCB under the Installment Sale Agreement and/or binders evidencing compliance with the insurance requirements of the Installment Sale Agreement. If any change shall be made in any such insurance, a description and written notice of such change shall be furnished by the JSCB to the Issuer and the Trustee thirty (30) days in advance of such change.

At least thirty (30) days prior to the expiration of any insurance policy required under the Installment Sale Agreement, the JSCB shall furnish the Issuer and the Trustee with evidence that such policy has been renewed or replaced or is no longer required by the Installment Sale Agreement.

All insurance required by the Installment Sale Agreement above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

The JSCB shall, the cost and expense of the YCSD and the City, make all proofs of loss and take all other steps necessary or reasonably requested by the Issuer or the Trustee to collect from insurers for any loss covered by any insurance required to be obtained under this heading. A School Party shall not do any act, or suffer or permit any act to be done, whereby any insurance required under this heading would or might be suspended or impaired. The YCSD assumes all risks that the proceeds of any insurance may be inadequate to fully indemnify the Issuer and the Trustee against, or to reimburse the Issuer and the Trustee for, any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the Installment Sale Agreement. The YCSD acknowledges that the YCSD shall be solely responsible for the payment of any loss, liability, claim or judgment, or any portion thereof, falling within any deductible or self insured retention or which is in excess of any available insurance coverage.

Damage, Destruction or Condemnation. The School Parties agree to notify the Issuer and the Trustee immediately in the case of damage to or destruction of any Facility or any portion thereof in an amount exceeding \$1,000,000 resulting from fire or other casualty, and shall state the plans of the School Parties with respect to the repair, reconstruction and restoration of the affected Facility.

If any Facility or portion thereof shall be condemned or taken by eminent domain, the Installment Sale Agreement (with respect to the affected Facility or portion thereof) and the interest of the City and the YCSD thereunder shall terminate when title to such Facility or portion thereof vests in the party condemning or taking the same (hereinafter referred to as the “*termination date*”), and the School Parties will promptly give notice thereof to the Issuer and the Applicable Trustee, and shall state the plans of the School Parties with respect to the replacement or restoration of the affected Facility.

If any Facility shall be damaged or destroyed (in whole or in part), or the whole or any part of any Facility shall be taken or condemned by a competent authority or by agreement between the City and/or the YCSD and those authorized to exercise such right or if the temporary use of any Facility or any part thereof shall be so taken by condemnation or agreement (a “*Loss Event*”) at any time while the Installment Sale Agreement is in effect:

- (i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate the affected Facility; and
- (ii) there shall be no abatement or reduction in the amounts payable by the City and the YCSD under the Installment Sale Agreement (whether or not the affected Facility is replaced, repaired, rebuilt, restored or relocated); and

(iii) the proceeds derived from the insurance (after payment of all reasonable expenses, costs and taxes (including attorneys' fees) (the "*Net Proceeds*") incurred in obtaining such proceeds) shall be deposited in the Project Fund, and, subject to the provisions clause (iv) below, at the option of the City, shall be applied to either (A) replace, repair, rebuild, restore or relocate the affected Facility, or (B) redeem a principal amount of Bonds equal to such proceeds in accordance with the Indenture; and

(iv) If the School Parties replace, repair, rebuild, restore or relocate the affected Facility, the Trustee shall disburse such proceeds from the Project Fund in the manner set forth in the Indenture to pay or reimburse the School Parties for the cost of such replacement, repair, rebuilding, restoration or relocation. Notwithstanding anything to the contrary in clause (iii) above, if (A) the aggregate net proceeds derived from insurance with respect to a particular loss are less than \$50,000, and (B) no Event of Default then exists under the Indenture or the Installment Sale Agreement; the School Parties shall be entitled to withdraw such proceeds from the Project Fund for application to Project Costs in accordance with the Installment Sale Agreement and with the Tax Compliance Documents.

Any such replacements, repairs, rebuilding, restorations or relocations shall be subject to the following conditions:

(i) the restored Facility shall be in substantially the same condition and value as an operating entity as existed prior to the damage or destruction;

(ii) the restored Facility shall continue to constitute a "project" as such term is defined in the Yonkers Schools Act, and the tax-exempt status of the interest on the Bonds shall not, in the opinion of Nationally Recognized Bond Counsel, be adversely affected; and

(iii) the restored Facility will be subject to no Liens other than Permitted Encumbrances.

All such repair, replacement, rebuilding, restoration or relocation of a Facility shall be affected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and shall be promptly and fully paid for by the School Parties in accordance with the terms of the applicable contracts.

In the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration or relocation, the School Parties shall nonetheless complete the work and pay from its own moneys or from proceeds of Additional Project Bonds, if any, issued for such purpose that portion of the costs thereof in excess of such proceeds. All such replacements, repairs, rebuilding, restoration or relocations made, whether or not requiring the expenditure of the money of the School Parties, shall automatically become a part of a Facility as if the same were specifically described in the Installment Sale Agreement.

Any balance of such proceeds remaining in the Project Fund after payment of all costs of replacement, repair, rebuilding, restoration or relocation of an affected Facility shall, subject to any rebate required to be made to the federal government pursuant to the Indenture or the Tax Compliance Documents, be used to redeem the Bonds as provided in the Indenture. If the entire amount of the Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, all such remaining proceeds shall be paid to the City for the benefit of the YCSD.

Compliance with Laws and Regulations. Each of the JSCB and the YCSD will, at its own cost and expense, promptly comply with, or cause to be complied with, all laws, rules, regulations and other governmental requirements (including Section 224-a of the Labor Law), whether or not the same require structural repairs or alterations, which may be applicable to the School Parties and any of the Facilities or the use or manner of use of any of the Facilities; provided, however, the obligation of the JSCB or the YCSD to comply with any such law, rule, regulation or governmental requirement shall be suspended during any contest thereof in good faith by the JSCB or the YCSD, which contest is being diligently prosecuted. Each of the JSCB and the YCSD will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Assignment and Sale by the School Parties. The School Parties will not sell, lease, transfer or otherwise dispose of or encumber any of their interest in any of the Facilities except in the case of Permitted Encumbrances or as provided under the heading "Release of Facilities" below; provided, however, that the YCSD may lease or license part of any Facility (x) for a purpose and use consistent with the License and the Installment Sale Agreement, (y) upon delivery to the Trustee of an Opinion of Counsel to the effect that such lease or license shall neither limit nor impair the obligations of the School Parties under the Installment Sale Agreement, and (z) upon delivery to the Trustee of an opinion of Nationally Recognized Bond Counsel to the effect that such lease or license will not cause interest on any of the Bonds to become includable in gross income for federal income tax purposes. The Installment Sale Agreement may be assigned in whole or in part by one or more of the School Parties upon written consent of the Issuer, the other School Parties and the Trustee (which consent may be unreasonably withheld) but no assignment shall relieve the School Parties from primary liability for any of its obligations under the Installment Sale Agreement, and in the event of any such assignment each of the School Parties shall continue to remain primarily liable for the respective payments specified in the Installment Sale Agreement and for performance and observance of the other agreements provided on its part in the Installment Sale Agreement.

Covenant not to Affect the Tax-Exempt Status of the Bonds. The School Parties each agree that throughout the Agreement Term, it will comply with the Tax Compliance Documents and it will take no action, or permit any action to be taken, with respect to any Facility which will impair the exemption of interest on any Outstanding Bonds from Federal income taxes.

Covenants as to State Aid Depository Agreement. The City and the YCSD agree not to revoke the instructions furnished to the State Comptroller's office to forward all State Aid to Education payments to the Depository Bank. The City and the YCSD also agree to comply with and not to terminate the State Aid Depository Agreement or materially modify the terms and provisions thereof, except as may be permitted under the terms of the State Aid Depository Agreement.

Release of Facilities. So long as there exists no event of default under the Installment Sale Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an event of default, the YCSD may, upon written notice to the Issuer and the Trustee and compliance with the following, effect the release of a Facility, to no longer be used by the YCSD as a public school, or the costs with respect to which have been financed with the Bonds which are no longer Outstanding, from the Installment Sale Agreement and the License. Upon receipt of such notice, the Issuer and the Trustee shall, at the sole cost and expense of the YCSD, execute and deliver any and all instruments necessary or appropriate to so release and remove such Facility from the Facilities subject to the Installment Sale Agreement and the License; provided, however, that in the event the release is of the last remaining Facility, the YCSD and the City must further pay Base Installment Purchase Payments necessary to effect the redemption in whole of the Bonds.

No conveyance or release effected under the provisions described under this heading shall entitle the YCSD or the City to any abatement or diminution of the Installment Purchase Payments or the Additional Payments required to be made by the YCSD and the City under the Installment Sale Agreement.

Compliance with Requirements for State Aid to Education. The City and the YCSD will comply with all requirements necessary to ensure receipt of State Aid to Education payable to the City or the YCSD over the term of the Installment Sale Agreement.

No Impairment of Pledge of State Aid to Education. Each of the School Parties covenants and agrees in the Installment Sale Agreement that it shall not enter into any agreement, indenture or other instrument, including any Facilities Agreement, in connection with a Series of Project Bonds, which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid to Education payable to the City or the YCSD under the Yonkers Schools Act; provided, however, that nothing contained in the Installment Sale Agreement shall be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid to Education on a parity with the pledge effected by the Issuer under the Indenture, or (z) to require that any Series of Project Bonds issued under another Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any lease rental payment dates or installment purchase payment dates, as applicable, under a Facilities Agreement be the same as provided for under the Installment Sale Agreement.

Events of Default. An “event of default” or a “default” shall mean, whenever they are used herein, any one or more of the following events:

(a) Default in the due and punctual payment of any Installment Purchase Payment (other than failure to pay as a result of an Event of Nonappropriation);

(b) Default in the due and punctual payment of any Additional Payment, which default shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by any School Party to observe and perform any of the terms and covenants on its part to be observed or performed set forth in Section 4.4(d), 4.4(e), 4.4(f), 7.12 or 7.21 hereof;

(d) Failure of the YCSD to observe and perform the covenants set forth in Section 4.3 hereof, and continuance of any such failure for a period of thirty (30) days after receipt by the YCSD of written notice specifying the nature of such default from the Issuer or the Trustee;

(e) Failure of the JSCB to observe and perform the covenants set forth in Section 5.5 hereof, and continuance of any such failure for a period of thirty (30) days after receipt by the JSCB of written notice specifying the nature of such default from the Issuer or the Trustee;

(f) Failure by any School Party to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraphs (a), (b), (c), (d) and (e) of Section 8 to the Installment Sale Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the defaulting party and the other School Parties by the Issuer, the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, unless by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the defaulting party has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions.

(g) The City or the YCSD shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the City or the YCSD seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver; trustee, or other similar official for it for any substantial part of its property; or the City or the YCSD shall authorize any of the actions set forth above in this paragraph (g); or

(h) The entering of an order or decree appointing a receiver of the Facilities or any thereof with the consent or acquiescence of the City or the YCSD or the entering of such order or decree without the acquiescence or consent of the City or the YCSD if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

Notwithstanding anything contained in this Section to the contrary, a failure by the City or the YCSD to pay when due any payment required to be made hereunder or a failure by the City or the YCSD to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, resulting from a failure by the Board of Education to include such payment obligation and moneys for such purposes in the annual budget for the YCSD, failure by the City to approve such budget and appropriate moneys for such purpose, or a failure by the YCSD to approve payment thereof after appropriation by the City therefor shall not constitute an event of default hereunder. However, the failure by the City or the YCSD to pay when due any payment required to be made by it under the Installment Sale Agreement shall constitute a failure to make a payment under the Installment Sale Agreement for purposes of the Yonkers Schools Act, and in such event the Issuer has appointed the Trustee to act as its agent for purposes of taking action under Section 5.4 of the Indenture. The City and the YCSD agree to provide written notice to the Trustee indicating either (i) the Board of Education submitted an annual budget for the YCSD to the Mayor of the City that fails to include a separate line item representing the full amount of Installment Purchase Payments payable during the applicable Fiscal Year, (ii) the City approved an annual budget for the YCSD that fails to include such a separate line item, or (iii) the YCSD failed to approve payment of such full amount after appropriation by the City therefor.

Remedies. Whenever any event of default as provided above shall have happened and be continuing, or whenever an Event of Nonappropriation shall have occurred and be continuing, the Issuer (with the prior written consent of the Trustee) or the Trustee, subject in all respects to the provisions under the heading “Nature of Obligations of the City and the YCSD” above, may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the School Parties under the Installment Sale Agreement. For so long as any of the Bonds are Outstanding or any amounts remain due and payable by the School Parties under the Installment Sale Agreement, neither the Issuer nor the Trustee shall take any action which shall have the effect of terminating the Installment Sale Agreement or the interest in or rights of possession of the City or the YCSD in the Facilities, provided, however, that in addition to any other rights or remedies granted under this heading to the Issuer, the Issuer may enforce any of the Issuer’s Reserved Rights without the consent of the Trustee or any other person, by an action for damages, injunction or specific performance.

No action taken pursuant to provisions under this heading shall relieve any School Party from the its obligations under the Installment Sale Agreement, all of which shall survive any such action.

Cure. Notwithstanding any remedy taken by the Issuer or the Trustee pursuant to the provisions described under the immediately preceding heading, if all arrears of Installment Purchase Payments, and all other Additional Payments, shall have been paid, all other things shall have been performed in respect

of which there was an event of default or Event of Nonappropriation and there shall have been paid the reasonable fees and expenses, including expenses of the Trustee (including reasonable attorneys' fees paid or incurred), then the event of default or Event of Nonappropriation shall be waived without further action by the Trustee or the Issuer.

No Remedy Exclusive. Subject to the provisions of the second sentence under the heading "Remedies" above, no remedy conferred in the Installment Sale Agreement upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given in the Installment Sale Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in the Installment Sale Agreement it shall not be necessary to give any notice, other than such notice as may be expressly required in the Installment Sale Agreement.

Effect on Discontinuance of Proceedings. In case any proceeding taken by the Trustee under the Indenture or the Installment Sale Agreement or under any other Security Document on account of any event of default or Event of Nonappropriation under the Installment Sale Agreement or the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Applicable Trustee, then, and in every such case, the Issuer, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights thereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Limitations on Termination of Agreement. Neither the Issuer, the Trustee nor any School Party shall take or fail to take any action which would cause the Installment Sale Agreement to terminate while any Bonds remain Outstanding or any amounts remain due and payable under the Installment Sale Agreement or prior to the discharge of the lien of the Indenture.

FORM OF APPROVING OPINION OF BOND COUNSEL

*[Upon delivery of the Series 2022 Bonds in definitive form,
Harris Beach PLLC, Bond Counsel to the Issuer
proposes to render its Approving Opinion in substantially the following form:]*

[Date of Delivery]

City of Yonkers Industrial Development Agency
470 Nepperhan Avenue, Suite 200
Yonkers, New York 10701

Re: \$ _____
City of Yonkers Industrial Development Agency
School Facility Revenue Bonds
(New Community School Project), Series 2022

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the City of Yonkers Industrial Development Agency (the “**Issuer**”) of its \$____,000,000 School Facility Revenue Bonds (New Community School Project), Series 2022 (the “**Series 2022 Bonds**”). The Series 2022 Bonds are issued under and pursuant to (i) Title 1 of Article 18-A of the General Municipal Law of the State of New York (the “**State**”), as amended, and Chapter 903 of the State’s General Municipal Law, as amended (collectively, the “**Act**”) and Chapter 355 of the 2016 Laws of New York, as amended (the “**Yonkers Schools Act**”); (ii) a certain Indenture of Trust (New Community School Project) dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the “**Indenture**”) by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “**Trustee**”); (iii) a resolution adopted by the Issuer on February 5, 2021 (the “**Inducement Resolution**”), and (iv) an approving resolution adopted by the Issuer on August 17, 2021 (the “**Bond Resolution**” and together with the Inducement Resolution, the “**Resolution**”). Capitalized terms, not otherwise defined herein, shall have the meaning ascribed to such terms in the Indenture.

The proceeds of the Series 2022 Bonds will be used for the purpose of financing a portion of a capital project (the “**New Community School Project**”) undertaken by the Issuer at the request of the Yonkers Joint Schools Construction Board (the “**YJSCB**”), acting as agent of the City of Yonkers, New York (the “**City**”) and the City School District of the City of Yonkers (the “**YCSD**”), consisting of: (i) construction and equipping of a new Pre-K to 8th grade public school including a 4-story Academic Building, a Community Building, playground and related improvements; (ii) funding capitalized interest on the Series 2022 Bonds, and (iii) funding certain costs of issuance for the Series 2022 Bonds. On September 16, 2021, the Issuer issued \$25,000,000 of School Facility Revenue Bonds (New Community School Project), Series 2021 (the “**Series 2021 Bonds**”) to finance a portion of the New Community School Project. The Series 2022 Bonds are being issued on a parity with the Series 2021 Bonds.

The YCSD, the City and Manufacturers and Traders Trust Company, as Depository Bank (the “**Depository Bank**”) have entered into a certain State Aid Depository Agreement, dated as of August 1, 2021 (the “**State Aid Depository Agreement**”), pursuant to and with respect to which each of the Commissioner of Finance of the City and the President of the Board of Education of SCSD have instructed the State Comptroller to pay all New York State building aid and operating aid appropriated by the State Legislature for the provision of public educational instruction in the City (“**State Aid to Education**”) directly to the State Aid Depository Fund rather than to the City and the YCSD, as applicable.

The City and YCSD have granted a license to the Issuer to enter upon the Project Site for the purpose of undertaking, equipping and completing the New Community School Project pursuant to a License Agreement, dated as of September 1, 2021, among the City, the SCSD and the Issuer (the “**License**”). The Issuer has sold its interest in the New Community School Project to the City and the YCSD pursuant to an Installment Sale Agreement (New Community School Project), dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the “**Installment Sale Agreement**”), as the same may be amended or supplemented from time to time, between the Issuer, the City, the YJSCB and the YCSD. Pursuant to the Installment Sale Agreement, the YCSD and the City have agreed to pay scheduled Installment Purchase Payments in amounts equal to the principal of and interest on the Series 2022 Bonds, *provided, however*, that such Installment Purchase Payment obligations of the YCSD and the City are executory only to the extent of State Aid to Education being (i) appropriated by the New York State Legislature and available therefor, and (ii)(A) appropriated by the City Council for such purpose after submission by the YCSD of its anticipated annual expenditures to the Mayor of the City, and (B) approval by the YCSD of payment thereof after appropriation by the City Council.

Pursuant to the Indenture and a certain Pledge and Assignment dated as of September 1, 2021, as amended and restated as of December 1, 2022, from the Issuer to the Trustee, and acknowledged by the City, the YCSD and the YJSCB, the Issuer has assigned to the Trustee substantially all of the Issuer’s right, title and interest in, to and under the Installment Sale Agreement, including the foregoing Installment Purchase Payments to be made by the YCSD and the City.

It is provided in the Indenture that, upon satisfying certain conditions, the Issuer may issue one or more series of additional bonds (the “**Additional Bonds**”) from time to time on the terms and conditions and for the purposes stated therein; and the Additional Bonds, if issued, will be equally and ratably secured with the Series 2022 Bonds and the Series 2021 Bonds. The Indenture further provides that the amount of Installment Purchase Payments required to be paid under the Installment Sale Agreement shall be recalculated so as to provide money for the full and timely payment of the principal of and interest on the Series 2022 Bonds, the Series 2021 Bonds and any such series of Additional Bonds.

We have reviewed an opinion of even date herewith of Corporation Counsel, counsel to the YJSCB, upon which we are relying as to the due authorization, validity and enforceability of the Installment Sale Agreement and any other documents executed by the YJSCB, as they relate to the YJSCB; an opinion of even date herewith of the Corporation Counsel of the City of Yonkers, counsel to the City and the YCSD, upon which we are relying as to the due authorization, validity and enforceability of the License, the Installment Sale Agreement, the State Aid Depository Agreement and any other documents executed by the City and the YCSD as they relate, respectively, to the City and the YCSD; and an opinion of even date herewith of Hodgson Russ LLP, counsel to the Trustee and the Depository Bank upon which we are relying as to the due authorization, validity and enforceability of the Indenture and the Depository Bank by the Trustee. No opinion as to such matters is expressed herein.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including documents contained in the record of proceedings with respect to the issuance of the Series 2022 Bonds) as we have deemed necessary or

appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having undertaken any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

The Issuer has executed a certain Tax and Arbitrage Certificate, dated the date hereof (the “*Tax Certificate*”), and the City, YSCD and YSJC B have entered into an Arbitrage and Use of Proceeds Certificate, dated the date hereof (the “*Arbitrage and Use of Proceeds Certificate*”) in which the Issuer and the City, YSCD and YSJC B have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed on the Series 2022 Bonds by the Internal Revenue Code of 1986, as amended, and regulations and rulings of the United States Treasury Department promulgated thereunder (collectively, the “*Code*”).

The Series 2022 Bonds are dated the date hereof, are issued as fully registered bonds without coupons and mature and bear interest as set forth therein. The Series 2022 Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or times, upon the terms and conditions set forth therein and in the Indenture.

We have also examined the Series 2022 Bonds as executed and authenticated.

Based upon and in reliance upon the foregoing, and subject to the limitations hereinafter set forth, it is our opinion that:

(a) The Issuer is a duly created and validly existing corporate governmental agency constituting a public benefit corporation under the laws of the State.

(b) The New Community School Project constitutes a “project” under and as defined in the Act and the Yonkers Schools Act.

(c) The Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and legally binding upon the Issuer in accordance with its terms.

(d) The Issuer has the right and power pursuant to the Act and the Yonkers Schools Act: (a) to acquire a license interest in the New Community School Project; (b) to undertake the New Community School Project and to issue, execute, sell and deliver the Series 2022 Bonds in connection with the New Community School Project; (c) to assign its interest in the Installment Sale Agreement to the Trustee as provided in the Indenture and the Installment Sale Agreement; and (d) to enter into the Indenture, the License, the Installment Sale Agreement, and the Pledge and Assignment.

(e) The Series 2022 Bonds have been duly authorized, executed, delivered and issued for value by the Issuer in conformity with all applicable laws and the provisions of the Indenture and the Resolution and constitute valid and legally binding special obligations of the Issuer enforceable against it in accordance with their terms and are entitled to the benefits of the Indenture. The Indenture creates a valid pledge of and a valid lien upon the Trust Estate, except as set forth therein, and subject only to the provisions of the Indenture permitting the use and payment thereof for the purposes and on the terms and conditions set forth in the Indenture.

(f) The Indenture, the License, the Installment Sale Agreement and the Pledge and Assignment the have been duly authorized and lawfully executed and delivered by the Issuer and (assuming the authorization, execution and delivery by the other respective parties thereto) are valid and legally binding obligations of the Issuer enforceable against it in accordance with their respective terms.

(g) Under existing statutes, regulations, administrative rulings, and court decisions, interest on the Series 2022 Bonds is excluded from gross income of the owners thereof for Federal income tax purposes, and is not “an item of tax preference” for purposes of computing the Federal alternative minimum tax imposed on individuals. However, for tax years beginning after December 31, 2022, interest on the Series 2022 Bonds held by certain corporations that are subject to the Federal corporate alternative minimum tax is included in the computation of “adjusted financial statement income” for purposes of the Federal alternative minimum tax imposed on such corporations.

In rendering the opinion set forth in paragraph (g) above, we have assumed: (a) the accuracy of certain factual certifications of the Issuer, the YJSCB, the YCSD and the City; and (b) continuing compliance by the Issuer, the YJSCB, the YCSD and the City with their respective tax related covenants in the Indenture, the Installment Sale Agreement, the Tax Certificate of the Issuer and the Arbitrage and Use of Proceeds Certificate of the YJSCB, the YCSD and the City. In the event of the inaccuracy or incompleteness of any of such certifications or of the failure by the Issuer, the YJSCB, the YCSD or the City to comply with such covenants, the interest on the Series 2022 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of the Series 2022 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although such interest on the Series 2022 Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of such interest may otherwise affect the tax liability of a holder of a Series 2022 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2022 Bond and such holder’s other items of income, deduction or credit.

(h) Under existing statutes, including the Act, interest on the Series 2022 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Except as set forth in paragraphs (g) and (h) above, we express no opinion regarding any federal, state or local income tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2022 Bonds.

The opinions set forth in paragraphs (e) and (f) above are qualified to the extent that the enforcement against the Issuer may be limited by any applicable bankruptcy, insolvency moratorium, reorganization or other laws heretofore or hereafter enacted by the State of New York or the federal government or pronounced by a court having proper jurisdiction, relating to or affecting the enforcement of creditors’ rights or remedies or contractual obligations generally, and is subject to general principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion as to the priority of the fee interest or the ownership of any other interest in any parcel of the land included within the New Community School Project, or the sufficiency of the description of any such parcel in the Indenture, the License, the Installment Sale Agreement and the Pledge and Assignment or the existence of any liens or encumbrances on any property.

Certain requirements and procedures contained or referred to in the Indenture and certain other documents delivered in connection with the issuance of the Series 2022 Bonds may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an opinion of Bond Counsel. We express no opinion as to any federal, state, or local tax consequences with respect to the Series 2022 Bonds, or the interest thereon, if any such change occurs or action is taken or omitted upon the advice or approval of any bond counsel other than Harris Beach PLLC.

In rendering this opinion, we express no opinion as to the necessity for obtaining any permits or other approvals relating to the construction or equipping of the New Community School Project or the

operation of the New Community School Project, or the application or effect of any environmental laws, ordinances, rules, regulations or other requirements of any governmental authority with respect to any of the Facilities or the transactions contemplated under the Indenture.

This opinion is rendered as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date hereof. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States of America.

Very truly yours,

Harris Beach PLLC

By: _____

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (“Disclosure Agreement”) is entered into as of December 1, 2022, by and between the YONKERS JOINT SCHOOLS CONSTRUCTION BOARD (the “JSCB”), on behalf of itself, the YONKERS CITY SCHOOL DISTRICT (the “YCSD”) and the CITY OF YONKERS (the “City”), party of the first part, and MANUFACTURERS AND TRADERS TRUST COMPANY, as Trustee (the “Trustee”), party of the second part, in connection with the issuance by the City of Yonkers Industrial Development Agency (the “Issuer”) of its \$_____ aggregate principal amount School Facility Revenue Bonds (New Community School Project), Series 2022 (the “Series 2022 Bonds”). The Series 2022 Bonds are being issued pursuant to an Indenture of Trust (New Community School Project) dated as of September 1, 2021, as amended and restated as of December 1, 2022 (the “Indenture”).

In order to permit the Underwriters of the Series 2022 Bonds to comply with the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 in connection with the public offering of the Series 2022 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by JSCB, on behalf of each of the City and the YCSD, and the Trustee, in each case for the benefit of Bondholders and Beneficial Owners (as defined below) of the Series 2022 Bonds and in order to assist the Underwriters in complying with the Rule (as defined below). The JSCB and the Trustee acknowledge that the Issuer has not undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and the Issuer has no liability to any person, including any Bondholder or Beneficial Owner, concerning the Rule.

SECTION 2. Definitions. Capitalized terms used but not defined in this Disclosure Agreement shall have the meanings ascribed to them in the Indenture.

“Annual Report” shall mean any annual report and related annual information to be provided by the JSCB on behalf of the YCSD and the City, pursuant to Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined below. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 10 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chairman of the JSCB or his or her designee, or such other person as the JSCB shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent, designated in writing by the YCSD and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the period of twelve months beginning July 1 of each year and ending on June 30 of the same year, or any other twelve month period adopted by the YCSD as its fiscal year for accounting purposes.

“Listed Events” shall mean any of the events listed in Subsection 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of New York.

“Underwriters” shall mean collectively, Roosevelt & Cross Incorporated, on its own behalf and as the Representative of the other Underwriters set forth on Schedule I attached hereto, as the original underwriters of the Series 2022 Bonds required to comply with the Rule in connection with the offering of the Series 2022 Bonds.

SECTION 3. Obligations to Provide Continuing Disclosure.

On an annual basis, no later than one calendar year after the end of each respective Fiscal Year, commencing with the Fiscal Year ended June 30, 2022, the JSCB shall provide, on behalf of the YCSD or shall cause the Dissemination Agent to provide, to the Repository, an Annual Report which is consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4(ii) hereof. If the Fiscal Year changes, the JSCB shall give notice of such change in the same manner as required for a Listed Event. The JSCB shall provide sufficient copies of the Annual Reports to facilitate the Dissemination Agent’s carrying out its duties, as set forth under this Disclosure Agreement.

If the Dissemination Agent has not received on or before the last business day of a Fiscal Year, an Annual Report from the JSCB, on behalf of the YCSD, for the preceding Fiscal Year, and the Dissemination Agent does not have actual knowledge that the Annual Report has been provided to the Repository, the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the YCSD and the City.

The Dissemination Agent shall file a report with the JSCB and (if the Dissemination Agent is not the Trustee) with the Trustee, certifying that the Annual Report has been provided to the Repository to this Disclosure Agreement, stating the date it was so provided.

SECTION 4. Content of Annual Report. The Annual Report shall contain or include by reference the following core financial information and operating data:

(i) Specified Information.

(a) The audited financial statements of the YCSD for the most recently ended Fiscal Year prepared in accordance with generally accepted accounting principles consistently applied, as promulgated from time to time by the Government Accounting Standards Board. If the YCSD's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available; and

(b) Material historical quantitative data, including, but not limited to, information on State Aid to Education to be received by the YCSD and/or the City, as applicable, and all statutory intercepts applicable to the YCSD and/or the City, as applicable, not otherwise described in the Final Official Statement dated [____], 2022 ("Final Official Statement"), as well as any other revenues, expenditures, financial operations and indebtedness with respect to the Series 2022 Bonds generally of the type discussed in the sections and subsections of the Final Official Statement entitled, "THE PROGRAM AND THE NEW COMMUNITY SCHOOL PROJECT," "PROGRAM PARTICIPANTS," "DISCUSSION OF FINANCIAL OPERATIONS OF THE CITY AND THE YCSD," and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS —State Aid to Education."

(c) A report consolidating the information required from the YCSD under subsection 4(i)(a) above.

(ii) Cross-Reference. All or any portion of the Annual Report may be incorporated in the Annual Report by cross-reference to any other documents which were and are being filed under the Rule with the Repository, through and in accordance with EMMA. The audited or unaudited financial statements of the YCSD may be provided in the same manner.

(iii) Information Categories. The requirements contained in this Disclosure Agreement under Section 4(i)(b) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 4(i)(b) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

SECTION 5. Reporting of Listed Events.

(a) The YCSD shall provide or shall cause the Dissemination Agent to provide in a timely manner, not in excess of ten (10) business days after the occurrence, to the Repository, written notice of any of the following events, in each case with respect to the Series 2022 Bonds ("Listed Events"):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2022 Bonds, or other material events affecting the tax status of the Series 2022 Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2022 Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the JSCB, the YCSD or the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the YCSD in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the YCSD, 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 YCSD

13. The consummation of a merger, consolidation, or acquisition involving the YCSD or the Issuer or the sale of all or substantially all of the assets of the YCSD or the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
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 YCSD or the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the YCSD or the Issuer, any of which affect security holders, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the YCSD or the Issuer, any of which reflect financial difficulties;

Note to clauses (15 and 16): For the purposes of the events identified in clauses (15) and (16) above, the term “financial obligation” to mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

17. Failure of the YCSD to comply with the requirements of Sections 3 and 4 of this Disclosure Agreement;

(b) The JSCB, on behalf of the YCSD, shall provide or shall cause the Dissemination Agent to provide in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the YCSD to comply with Sections 3, 4 and 5 hereof.

SECTION 6. Termination of Reporting Obligation. The JSCB’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2022 Bonds.

SECTION 7. Dissemination Agent. The JSCB may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the JSCB, on behalf of YCSD or the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. For so long as the Trustee shall be the Dissemination Agent, the JSCB shall pay the Dissemination Agent an annual fee of \$500.00 upon the execution of this Disclosure Agreement and on each anniversary thereof.

SECTION 8. Amendments. An amendment to the requirements set forth in this Disclosure Agreement (the “Requirements”) may only take effect if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the YCSD, or type of business conducted; the Requirements, as amended, would have complied with the requirements of the Rule at the time of sale of the Series 2022 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders and/or Beneficial Owners, as determined by parties unaffiliated with the YCSD (such as, but without limitation, the YCSD’s financial advisor or transaction counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the “impact” (as that word is used in the

letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) All or any part of the Rule, as interpreted by the staff of the SEC at the date of the Series 2022 Bonds, ceases to be in effect for any reason, and the YCSD elects that the Requirements shall be deemed terminated or amended (as the case may be) accordingly.

(c) In addition to subsections (a) and (b) above, this Disclosure Agreement may be amended by written agreement of the parties, without the consent of the Bondholders and/or Beneficial Owners, of the Bonds, if all of the following conditions are satisfied: (1) the JSCB, on behalf of the YCSD, shall have delivered to the Trustee an opinion of Counsel, addressed to the YCSD, the City, the JSCB, the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to (i) the MSRB and (ii) the Issuer. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the JSCB from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the JSCB, at the direction of the YCSD or the City, chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the JSCB shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default; Venue. No Bondholder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Requirements (the “Undertaking”) or for any remedy for breach thereof, unless such Bondholder shall have filed with the YCSD evidence of ownership and a written notice of and request to cure such breach, and the YCSD shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified herein, in any federal or state court located in the State and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the YCSD agrees to release the Dissemination Agent and the Trustee from any claim arising out of the discharge of any duties hereunder and to defend, indemnify and save the Trustee and the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Trustee and the Dissemination Agent’s negligence or willful misconduct. The obligations of YCSD under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2022 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the JSCB:

with copies to

YCSD:

the City:

To the Trustee:

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

SECTION 14. Fiduciary Obligation. The Dissemination Agent agrees that it shall be bound by Section 9.3 of the Indenture as if it were a fiduciary under the Indenture.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Governing Law. THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW. TO THE EXTENT THIS DISCLOSURE AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAW, THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

YONKERS JOINT SCHOOLS
CONSTRUCTION BOARD

By: _____
Name:
Title:

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee

By: _____
Authorized Officer

SCHEDULE I

Roosevelt & Cross Incorporated
Academy Securities Inc.
Loop Capital Markets LLC
Siebert Williams Shank & Co., LLC

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Yonkers Industrial Development Agency
Name of Bond Issue: \$[_____] City of Yonkers Industrial Development Agency School Facility
Revenue Bonds (New Community School Project), Series 2022 (the
"Series 2022 Bonds"
Date of Issuance: [_____])

NOTICE IS HEREBY GIVEN that the Yonkers City School District (the "YCSD") has not provided an Annual Report with respect to the above-named Series 2022 Bonds as required by the Continuing Disclosure Agreement, dated as of [____], 2022 between the Yonkers Joint Schools Construction Board, on behalf of the YCSD and the City of Yonkers, and Manufacturers and Traders Trust Company, as trustee. [The _____ anticipates that an Annual Report will be filed by _____].

Dated: _____

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