

OFFICIAL STATEMENT DATED JUNE 19, 2019

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that such interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

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

HONEOYE FALLS-LIMA CENTRAL SCHOOL DISTRICT LIVINGSTON, MONROE AND ONTARIO COUNTIES, NEW YORK (the "School District")

\$14,500,000

BOND ANTICIPATION NOTES, 2019 SERIES A (the "Notes")

Dated: July 16, 2019

Maturity Date: July 15, 2020

Security and Source of Payment: The Notes are general obligations of the School District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the School District is subject to the levy of *ad valorem* taxes to pay the principal and interest thereon. (See "NATURE OF OBLIGATION" and "REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law," herein).

Prior Redemption: The Notes are NOT subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Notes may be issued in denominations of \$5,000 each or multiples thereof, as may be determined by the purchaser(s), as stated below. The Notes will be issued in registered form as either book-entry only Notes or registered certificated Notes.

If the Notes will be issued in book-entry form, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "THE NOTES - Book-Entry-Only System," herein.

If the Notes are issued in registered certificated form, payment of the principal and interest on the Notes will be payable in Federal Funds at the principal corporate trust office of a bank(s) or trust company(ies) located and authorized to do business in the State of New York and to act as a fiscal agent in the State of New York as may be selected by the successful bidder(s), as an expense thereof.

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

The Notes are offered when, as and if issued and received by the purchaser(s) thereof and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey (through the facilities of DTC), or at such place as may be agreed upon with purchaser(s), on or about July 16, 2019.

THE SCHOOL DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE SCHOOL DISTRICT WILL CONVEANT, IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE), (SEE "MATERIAL EVENT NOTICES," HEREIN).

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

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OFFICIAL STATEMENT

**HONEOYE FALLS-LIMA CENTRAL SCHOOL DISTRICT
LIVINGSTON, MONROE AND ONTARIO COUNTIES, NEW YORK
(the “School District”)**

\$14,500,000

**BOND ANTICIPATION NOTES, 2019 SERIES A
(the “Notes”)**

This Official Statement, which includes the cover page and appendices hereto, (the “Official Statement”), presents certain information relating to the Honeoye Falls-Lima Central School District, in the Counties of Livingston, Monroe and Ontario, in the State of New York (the “School District,” “Counties,” and “State,” respectively) in connection with the sale of the School District’s \$14,500,000 Bond Anticipation Notes, 2019 Series A (the “Notes”).

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

NATURE OF OBLIGATION

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

Holders of any series of notes of the School District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes.

The Notes will be general obligations of the School District and will contain a pledge of the faith and credit of the School District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the School District has power and statutory authorization to levy *ad valorem* taxes on all real property within the School District subject to such taxation by the School District, without limitation as to rate or amount.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the School District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real property taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the School District’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded.”

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

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

The financial condition of the School District, as well as the market for the Notes, could be affected by a variety of factors, some of which are beyond the control of the School District. See “MARKET AND RISK FACTORS,” herein.

THE NOTES

Description of the Notes

The Notes are general obligations of the School District and will contain a pledge of its faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State

Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). Unless paid from other sources, all the taxable real property within the School District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, sufficient to pay such principal and interest as the same become due, without limitation as to rate or amount. See “NATURE OF OBLIGATION” and “REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law,” herein.

The Notes are dated July 16, 2019 and will bear interest from that date until maturity on July 15, 2020 at the annual rate specified by the purchaser(s). The Notes are NOT subject to redemption, in whole or in part, prior to maturity. Interest on the Notes shall be payable at maturity. Interest will be computed on the basis of 30 days to the month and 360 days to the year.

The Notes will be issued in either: (i) registered non-book entry form only (registered certificated), in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable at the principal corporate trust office of such bank(s) or trust company(ies) located and authorized to do business and to act as a fiscal agent in the State of New York to be named by the winning bidder(s) or (ii) in book-entry form, and, if so issued, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York which will act as securities depository for the Notes. See "Book-Entry Only System," herein. If the Notes are issued in registered certificated form, a single note certificate will be issued for all Notes purchased by a purchaser that bear interest at the same rate in the aggregate principal amount awarded to such purchaser at such interest rate. If the Notes are issued in book-entry form, a single note will be issued for all Notes bearing the same rate of interest and CUSIP number. Purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (Federal Funds) by the School District directly to DTC for its nominee, Cede & Co.

No Optional Redemption

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

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and Laws of the State of New York, including among others, the Local Finance Law, the Education Law and a bond resolution duly adopted by the Board of Education of the District on December 6, 2016, authorizing the issuance of up to \$26,419,242 of serial bonds to finance the cost of construction of additions to and reconstruction of various school buildings and facilities. The proceeds of the Notes will provide original financing for this project.

Book-Entry-Only System

If DTC acts as securities depository for the Notes, the Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's designated nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same CUSIP number and interest rate and will be deposited with DTC.

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

may be obtained from the website of The Depository Trust Company. Reference to the website implies no warranty of the accuracy of the information therein.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School District or Agent on payable date in accordance with their respective holdings shown on DTC's records.

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District, on the 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 bonds and notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of the DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company, New York.

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

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

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

Certificated Notes in Certain Circumstances

If DTC is initially utilized, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law, or the School District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued and has been utilized by the purchaser(s), the following provisions will apply: the Notes will be issued in registered certificated form in denominations of \$5,000 each or any integral multiple thereof, as may be designated by the purchaser(s). Principal of and interest on the Notes when due will be payable at the principal corporate trust office of a bank or trust company located and authorized to do business and to act as a fiscal agent in the State of New York to be named by the School District. In all other respects, the terms of the Notes will remain the same.

Special Provisions Affecting Remedies Upon Default

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District 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 the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school

district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each note when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law as described below, enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the School District

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five

days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict , subject to other provisions

of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes, such as the Notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “NATURE OF OBLIGATION” and “State Debt Moratorium Law,” herein.

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

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law, General Municipal Law, the Public Officers Law, the Local Finance Law, and the Real Property Tax Law.

The School District is in compliance with the procedure for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law.

The fiscal year of the School District is from July 1 to June 30.

Except as set forth in “INDEBTEDNESS OF THE SCHOOL DISTRICT – Calculation of Estimated Overlapping and Underlying Indebtedness”, this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District.

THE SCHOOL DISTRICT

General Information

The School District covers approximately 75 square miles in the Towns of Avon, Lima, and Livonia in Livingston County; Henrietta, Mendon and Rush in Monroe County; and Richmond, Victor and West Bloomfield in Ontario County (the “Towns”). The School District was created in 1969 through the merger of the former Honeoye Falls and Lima Central School Districts.

The School District is served by State Routes 5, 15A and 65 and U.S. Routes 20 and 20A. Route 15A provides easy access to downtown Rochester, some 25 miles to the north, and to the State Thruway at exit 45. Bus transportation is available locally, while air transportation is available at the Greater Rochester International Airport.

The School District is primarily a suburban/rural area, with larger population in the Villages of Honeoye Falls and Lima (the “Villages”). Residents are employed in farming and at various local manufacturing firms as well as in the Rochester area.

Water and sewer services are provided by the Villages and by some Town systems, as well as by private wells and septic systems. Telephone service is provided by Frontier Telephone Corporation. Natural Gas and Electricity are provided by Rochester Gas and Electric Corporation, National Grid Power Corporation and National Fuel Gas. Police protection is provided by the Livingston, Monroe and Ontario County Sheriff’s Departments and the State Police. Various volunteer fire and ambulance companies also serve the area.

The School District provides education for grades K-12. Students may also elect to attend the Lima Christian School. Higher education is available at many of the colleges and universities in the Rochester area.

Residents are afforded all the usual commercial services in and around the School District. Banking facilities include Five Star Bank, M&T Bank, The Canandaigua National Bank & Trust Company and Bank of America. Recreational facilities are plentiful due to the School District’s location in the Finger Lakes Region and its proximity to Rochester.

Source: School District Officials.

School District Organization

The School District is an independent entity governed by an elected Board of Education (the “Board”) comprised of nine members. School District operations are subject to the provisions of the State Education Law affecting city school districts and school districts in general; other statutes applicable to the School District include the Education Law, General Municipal Law, the Public Officers Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board are elected on a staggered term basis by the qualified voters at the annual election of the School District (held on the third Tuesday in May). The term of office for each board member is five years and the number of terms that may be served is unrestricted. In early July of each year, the Board meets for the purpose of reorganization. At that time an election is held within the Board to elect a President and Vice President, as well as to appoint a School District Clerk and School District Treasurer.

The Board appoints the Superintendent of Schools who serves under a written contract which by statute must be of no less than three and no more than five years in duration. The Superintendent is the chief executive officer of the School District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under

the direction of the Board. Also, certain of the financial functions of the School District are the responsibility of the Superintendent of Schools and Assistant Superintendent of Business and Operations.

Source: School District Officials.

Employees

The School District provides services through approximately 405 full-time and 68 part-time employees, some of whom are represented by the following units of organized labor:

<u>Unions</u>	<u>No. of Members</u>	<u>Contract Expiration Date</u>
Honeoye Falls-Lima Teachers' Association	203	June 30, 2021
Honeoye Falls-Lima Transportation Association	49	June 30, 2022
Honeoye Falls-Lima Buildings and Grounds Association	28	June 30, 2021
Honeoye Falls-Lime Educational Secretaries Association	20	June 30, 2022
Honeoye Falls-Lime Food Service Association	19	June 30, 2020
Honeoye Falls-Lima Para-Professionals/Nurses	65	June 30, 2020
Honeoye Falls-Lima Administrators	12	June 30, 2020

Source: School District Officials.

Enrollment

<u>School Year</u>	<u>K-12 Enrollment</u>
2014-15	2,259
2015-16	2,238
2016-17	2,207
2017-18	2,162
2018-19	2,136

Enrollment Projections

<u>School Year</u>	<u>Projected Enrollment</u>
2019-20	2,116
2020-21	2,115
2021-22	2,085
2022-23	2,076
2023-24	2,071

School District Facilities

<u>Name of School</u>	<u>Grades Served</u>	<u>Capacity</u>	<u>Date of Construction/Additions</u>	<u>Insurable Value</u>
Lima Primary School	K - 2	440	1936/2012	\$4,993,037
Manor Intermediate School	2 - 5	799	1958/2008	9,085,414
Middle School	6 - 8	576	1992/2012	12,251,550
High School	9 - 12	1,200	1928/2012	22,528,708

Source: School District Officials.

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the School District, the Counties, the State and the United States.

Population

<u>Year</u>	<u>School District</u>	<u>Livingston County</u>	<u>Monroe County</u>	<u>Ontario County</u>	<u>State</u>	<u>United States</u>
1990	11,351	62,372	713,968	95,101	17,990,455	249,632,692
2000	13,220	64,378	735,343	100,224	18,976,457	281,421,906
2010	13,753	65,393	744,344	107,931	19,378,102	308,745,538

Source: US Census Bureau.

Median Household Income

<u>Year</u>	<u>School District</u>	<u>Livingston County</u>	<u>Monroe County</u>	<u>Ontario County</u>	<u>State</u>	<u>United States</u>
1990	\$44,184	\$30,981	\$35,337	\$33,133	\$32,965	\$30,056
2000	63,718	42,066	44,891	44,579	43,393	41,994
2013-2017	82,536	53,654	55,272	61,710	62,765	57,652

Source: US Census Bureau, American Community Survey (2013-2017).

Per Capita Income

<u>Year</u>	<u>School District</u>	<u>Livingston County</u>	<u>Monroe County</u>	<u>Ontario County</u>	<u>State</u>	<u>United States</u>
1990	\$19,825	\$12,585	\$16,162	\$14,601	\$16,501	\$14,420
2000	29,947	18,062	22,821	21,533	23,389	21,587
2013-2017	45,050	25,882	31,291	33,685	35,752	31,177

Source: US Census Bureau, American Community Survey (2013-2017).

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) are the Counties. The information set forth below with respect to such Counties is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the School District is necessarily representative of the Counties or vice versa.

<u>Annual Averages:</u>	<u>Livingston County</u>	<u>Monroe County</u>	<u>Ontario County</u>	<u>State</u>	<u>United States</u>
2014	5.8%	5.8%	5.2%	6.3%	6.2%
2015	5.3	5.1	4.7	5.3	5.3
2016	4.9	4.7	4.3	4.9	4.9
2017	5.0	4.9	4.5	4.7	4.4
2018	4.3	4.3	3.9	4.1	3.9

<u>2019 Monthly Rates:</u>	<u>Livingston County</u>	<u>Monroe County</u>	<u>Ontario County</u>	<u>State</u>	<u>United States</u>
January	4.9%	4.4%	4.5%	4.6%	4.4%
February	5.0	4.3	4.5	4.4	4.1
March	4.8	4.1	4.2	4.1	3.9
April	3.9	3.6	3.5	3.6	3.3

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

Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Honeoye Falls–Lima Central School District	Public Education	450
Southco, Inc	Fasteners/Latches	260
Honeoye Falls Marketplace	Grocery Store	150
Town of Mendon	Municipality	55

Source: School District Officials.

INDEBTEDNESS OF THE SCHOOL DISTRICT

Constitutional Requirements

The State Constitution and the Local Finance Law limits the power of the School District to issue obligations and to otherwise contract indebtedness. Such constitutional limitations, in summary form and as generally applicable to the School District and the Notes, include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the School District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or the weighted average maturity thereof; no installment

may be more than fifty per centum in excess of the smallest prior installment, unless the School District has elected to issue indebtedness with substantially level or declining annual debt service. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization of its serial bonds and notes and such required annual installments on its bonds.

There is no constitutional limitation on the amount that may be raised by the School District by tax on real property in any fiscal year to pay interest and principal on all indebtedness. See "NATURE OF OBLIGATION" and "REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law," herein.

General. The School District is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the School District so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the School District to levy taxes on real property for the payment of interest on or principal of indebtedness theretofore contracted. See "NATURE OF OBLIGATION" and "REAL PROPERTY TAX INFORMATION - Tax Levy Limitation Law," herein.

Statutory Procedure

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

Pursuant to the Local Finance Law, the School District authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Board, the finance board of the School District. Customarily, the Board has delegated to the President of the Board of Education, as chief fiscal officer of the School District, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication, or

- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions, the School District typically complies with this estoppel procedure and has done so with respect to the bond resolution pursuant to which the Notes are being issued. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Statutory law in New York permits bond anticipation notes to be renewed each year, provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes and provided, generally, that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity," under "Constitutional Requirements" herein, and the "Details of Short-Term Indebtedness Outstanding," herein.)

In general, the Local Finance Law contains provisions providing the School District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget, deficiency and capital notes. (See “Details of Short-Term Indebtedness Outstanding,” herein.)

Debt Limit

Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real property of the School District and subject to certain enumerated deductions such as State aid for building purposes. The Constitutional and statutory method for determining full valuation consists of dividing the total assessed valuation of taxable real property for a specified assessment roll by the final equalization ratio established for such assessment roll by the State Office of Real Property Services (the “State Office”). The State Legislature is required to prescribe the manner by which such ratio shall be determined.

The following pages present certain details with respect to the indebtedness of the School District as of the date of the Official Statement.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the School District has the following short-term indebtedness outstanding:

<u>Type</u>	<u>Maturity</u>	<u>Purpose:</u>	<u>Amount Outstanding</u>
Bond Anticipation Notes	6/20/2019	Building Project	\$8,200,000 ¹
		Total	<u>\$8,200,000</u>

Source: Note records of the District.

Note: ¹ To be redeemed and renewed, in part, with the proceeds of a BAN closing on June 20, 2019 and \$1,005,500 of available funds of the District.

Revenue and Tax Anticipation Notes

The School District has not found it necessary to borrow in anticipation of taxes or revenues in recent years and does not anticipate the need to do so in the near future.

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Status of Outstanding Bond Issues

Year of Issue:	2009 ¹	2012 ²	2013
Amount Issued:	\$11,073,111	\$6,985,000	\$12,265,000
Last Maturity:	6/15/2019	4/15/2020	6/15/2027
Interest Rate/Instrument:	3.00% / 4.00% - SB	3.00% / Ref. SB	2.00% - 3.25% / SB
Purpose:	Building	Building	Building
Balance Principal 06-30-18:	\$770,000	\$990,000	\$8,235,000

Fiscal Year

<u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$770,000 *	\$26,950	\$790,000 *	\$29,700	\$885,000 *	\$233,713
2020			200,000	6,000	890,000	216,013
2021					900,000	198,213
2022					915,000	171,213
2023					930,000	143,763
2024					955,000	115,863
2025					995,000	87,213
2026					985,000	57,363
2027					780,000	25,350
Totals	<u>\$770,000</u>	<u>\$26,950</u>	<u>\$990,000</u>	<u>\$35,700</u>	<u>\$8,235,000</u>	<u>\$1,248,700</u>

Notes: ¹ The bonds maturing in the years 2020 - 2024 were economically defeased with the proceeds of 2017 refunding bond issue and were called and redeemed in full on June 15, 2019.

² Economically defeased the 2002 Series A bonds, which were called and paid in full on April 15, 2012 and 2002 Series B bonds, which were called and paid in full on June 15, 2012.

* Principal payment made prior to the date of this Official Statement.

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Status of Outstanding Bond Issues

Year of Issue:	2015E	2017 ³
Amount Issued:	\$7,895,000	\$4,210,000
Last Maturity:	6/15/2030	6/15/2024
Interest Rate/Instrument:	3.00% - 5.00% / DASNY SB	1.30% - 4.00% / Ref. SB
Purpose:	Building	Building
Balance Principal 06-30-18:	\$6,590,000	\$4,205,000

Fiscal Year				
<u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$530,000 *	\$276,706	\$10,000 *	\$150,950
2020	510,000	250,206	780,000	150,800
2021	535,000	229,806	815,000	119,600
2022	560,000	203,056	845,000	87,000
2023	595,000	175,056	860,000	61,700
2024	585,000	145,306	895,000	35,800
2025	635,000	116,056		
2026	665,000	84,306		
2027	700,000	64,356		
2028	720,000	42,481		
2029	275,000	19,081		
2030	280,000	9,800		
Totals	\$6,590,000	\$1,616,219	\$4,205,000	\$605,850

Notes: ³ Economically defeased a portion of the 2009 bonds, which were called and paid in full on June 15, 2019.

* Principal payment made prior to the date of this Official Statement.

Total Annual Bond Principal and Interest Due

Fiscal Year			Total	
<u>Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>% Paid</u>
2019	\$2,985,000	\$887,019	\$3,872,019	14.36%
2020	2,380,000	623,019	3,003,019	25.81%
2021	2,250,000	547,619	2,797,619	36.63%
2022	2,320,000	461,269	2,781,269	47.79%
2023	2,385,000	380,519	2,765,519	59.26%
2024	2,435,000	296,969	2,731,969	70.97%
2025	1,630,000	203,269	1,833,269	78.81%
2026	1,650,000	141,669	1,791,669	86.75%
2027	1,480,000	89,706	1,569,706	93.87%
2028	720,000	42,481	762,481	97.33%
2029	275,000	19,081	294,081	98.65%
2030	280,000	9,800	289,800	100.00%
Totals:	\$20,790,000	\$3,702,419	\$24,492,419	

Source: School District Bond Records.

Other Obligations

As of the date of this Official Statement, the School District has the following outstanding installment purchase debt for vehicles and maintenance equipment:

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2019	\$33,158	\$2,082
2020	<u>12,581</u>	<u>490</u>
Total	<u>\$45,739</u>	<u>\$2,572</u>

Source: Audited Annual Financial Report.

Note: This table is NOT audited.

Trend of Outstanding Debt

	Fiscal Year Ending June 30:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$27,175,000	\$31,875,000	\$28,230,000	\$24,625,000	\$20,790,000
Bond Anticipation Notes	9,010,404	0	0	0	0
Installment Purchase Obligation ¹	<u>220,860</u>	<u>207,174</u>	<u>182,690</u>	<u>102,794</u>	<u>45,739</u>
Total Debt Outstanding:	<u>\$36,406,264</u>	<u>\$32,082,174</u>	<u>\$28,412,690</u>	<u>\$24,727,794</u>	<u>\$20,835,739</u>

Source: Audited Annual Financial Reports of the School District.

Notes: ¹ Not debt. Subject to annual appropriation; however, this obligation does not count toward the debt limit of the School District.

This table is NOT audited.

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Computation of Debt Limit and Calculation of Net Indebtedness

(As of June 19, 2019)

<u>Towns</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization Rate ¹</u>	<u>Taxable Full Valuation</u>
Avon	\$13,934,972	100.00%	\$13,934,972
Henrietta	1,586,916	100.00%	1,586,916
Lima	237,357,694	100.00%	237,357,694
Livonia	4,684,100	100.00%	4,684,100
Mendon	879,608,206	100.00%	879,608,206
Richmond	37,834	97.00%	39,004
Rush	24,971,600	86.00%	29,036,744
Victor	2,482,068	100.00%	2,482,068
West Bloomfield	44,464,174	100.00%	44,464,174
Total (2018-19)	<u>\$1,209,127,564</u>		<u>\$1,213,193,878</u>
Debt Limit: 10% of Full Valuation			\$121,319,388
Inclusions:			
Bonds			\$17,805,000
Bond Anticipation Notes			<u>8,200,000</u>
Total Inclusions			<u>\$26,005,000</u>
Exclusions:			
Estimated Building Aid ²			<u>\$0</u>
Total Exclusions			<u>\$0</u>
Total Net Indebtedness Before Giving Effect to This Issue			\$26,005,000
New Monies This Issue			<u>14,500,000</u>
Total Net Indebtedness After Giving Effect to This Issue ^{3&4}			<u>\$40,505,000</u>
Net Debt-Contracting Margin			\$80,814,388

Notes: ¹ The latest completed assessment roll for which a State Equalization Rate has been established.

² The calculation of such indebtedness has not taken into account any deductions therefrom of any apportionment of State Aid for debt service for school district purposes to which the School District may be entitled. Since the gross indebtedness of the School District is within its constitutional debt limit, the School District is not required to apply for a Building Aid Estimate from the State Department of Education. The School District anticipates the receipt of building aid (see "Building Aid Estimate," herein).

³ Installment purchase contracts, while not debt, do count towards the School District's debt limit. The principal amount of the School District's outstanding installment purchase contracts has not been included in this debt limit computation table in order to be consistent with the State Comptroller's official debt statement filing instructions. For a summary of outstanding principal, see "Other Obligations," herein.

⁴ Represents 33.39% of the Debt Limit.

Building Aid Estimate

Pursuant to the provision of Chapter 760 of the Laws of 1963, the School District is eligible to receive a Building Aid Estimate from the State Department of Education. School District officials have not applied for such estimate, but expect to receive the following building aid:

	<u>Assumed Outstanding Principal 6-30-18</u>	<u>Aid Ratio</u>	<u>Estimated Aid</u>
1992 Refunded Serial Bonds ¹	\$410,470	74.20%	\$304,569
2000 Refunded Serial Bonds ²	628,172	74.20%	466,104
2009 Refunded Serial Bonds ³	5,095,000	78.10%	3,979,195
2013 \$12,265,000 Serial Bonds	8,235,000	78.10%	6,431,535
2015E \$7,895,000 DASNY Serial Bonds	6,590,000	78.10%	5,146,790
Additional Costs Attributed to Refunding	182,226	100.00%	182,226
Total:	\$21,140,868		\$16,510,418

Source: State Department of Education.

Notes: ¹ Paid in full at maturity.

² Called and paid in full by Escrow Agent on June 15, 2010.

³ Called and paid in full by Escrow Agent on June 15, 2019.

As part of the State’s 2001-02 budget process, a fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, an “assumed amortization” payout schedule for State building aid payments based on an annual “average interest rate” and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates; however, no assurance can be given as to when and how much building aid the School District will receive in relation to the School District’s outstanding bonds.

Authorized and Unissued Indebtedness

After the issuance of the Notes, the School District will have authorized and unissued indebtedness in the amount of \$3,719,242 pursuant to a bond resolution adopted by the Board on December 6, 2016 for the project discussed below.

Capital Project Plans and Anticipated Future Borrowings

The qualified voters of the School District authorized a \$29,986,084 project on May 17, 2016. Work includes construction of additions and reconstruction of various school buildings and the sites thereof. Work is expected to take place in multiple phases which began in 2018. The project is being financed with \$3,566,842 of capital reserves and current and future borrowings.

Direct and Overlapping Indebtedness

In addition to the School District, the political subdivisions in the following table have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District.

The real property taxpayers of the School District are responsible for a proportionate share of outstanding debt obligations of the political subdivisions located within the School District’s boundaries. Such taxpayers’ share of this overlapping debt is based upon the amount of the School District’s equalized property values taken as a percentage of each separate unit’s total values. The table below sets forth both the total outstanding principal amount of debt issued by the School District and the appropriate magnitude of the burden on taxable property of the School District of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date Of Report	Applicable Total Indebtedness	Exclusions ¹	Applicable Net Indebtedness	Full Value of School District in Municipality	Total Full Value of Municipality	% In School District	Estimated Applicable Overlapping Debt
Counties:								
Livingston	2018	\$42,974,693	\$4,167,538	\$38,807,155	\$255,976,766	\$3,532,221,560	7.25%	\$2,812,318
Monroe	2019	614,149,376	166,871,623	447,277,753	910,231,866	44,367,202,219	2.05%	9,176,293
Ontario	2019	20,615,000	1,960,000	18,655,000	46,985,246	9,389,130,749	0.50%	93,354
Towns:								
Avon	2019	1,008,000	808,000	200,000	13,934,972	417,401,833	3.34%	6,677
Henrietta	2019	9,399,163	0	9,399,163	1,586,916	3,085,730,358	0.05%	4,834
Lima	2017	120,000	0	120,000	237,357,694	252,909,550	93.85%	112,621
Livonia	2017	1,366,164	115,000	1,251,164	4,684,100	546,134,850	0.86%	10,731
Mendon	2019	1,890,700	920,700	970,000	879,608,206	922,944,957	95.30%	924,454
Richmond	2017	8,164,563	0	8,164,563	39,004	321,874,938	0.01%	989
Rush	2017	50,000	0	50,000	29,036,744	302,491,863	9.60%	4,800
Victor	2018	3,890,000	716,000	3,174,000	2,482,068	1,849,728,610	0.13%	4,259
West Bloomfield	2017	398,138	0	398,138	44,464,174	165,843,994	26.81%	106,744
Villages:								
Honeoye Falls	2018	893,621	0	893,621	169,991,500	169,991,500	100.00%	893,621
Lima	2018	1,653,000	0	1,653,000	89,132,116	89,132,116	100.00%	1,653,000
Total Net Overlapping Debt:								\$15,804,695
Total Net Direct Debt:								40,505,000
Net Direct and Overlapping Debt:								<u>\$56,309,695</u>

Sources: Annual reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published official statements.

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes).

Debt Ratios

The following table presents certain debt ratios relating to the School District's net direct and overlapping indebtedness as of June 19, 2019:

	<u>Amount</u>	<u>Debt Per Capita</u> ¹	<u>Debt Full Value</u> ²
Net Direct Debt	\$40,505,000	\$2,945.18	3.34%
Total Direct & Applicable Total Overlapping Debt	56,309,695	4,094.36	4.64%

Notes: ¹ The population of the School District's is 13,753 according to the 2010 US Census.

² The full valuation of real property located in the School District for the 2018-19 fiscal year is \$1,213,193,878.

FINANCES OF THE SCHOOL DISTRICT

Independent Audit

The financial statements of the School District are audited each year by an independent certified public accountant. The last such audit covers the fiscal year ended June 30, 2018. A copy of such report is attached hereto as APPENDIX B.

The Statement of Revenues, Expenditures, and Fund Balances and Balance Sheet presented in APPENDIX A of this Official Statement are based on the Annual Financial Reports of the School District for the 2014 - 2018 fiscal years.

The School District complies with the Uniform System of Accounts as prescribed for school districts in the State by the State Education Department and the Department of Audit and Control. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units" and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board ("GASB").

The financial affairs of the School District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the School District has complied with the requirements of various state and federal statutes. The last such audit conducted by the State Comptroller was released August 26, 2016. The purpose of the audit was to evaluate the School District's financial management and procurement of goods and services for the period of July 1, 2012 through February 11, 2016. A copy of the audit report can be found in its entirety on the website for the Office of the State Comptroller. Reference to the website implies no warranty of accuracy of the information therein.

There are no audits presently in progress or recently completed.

Fund Structure and Accounts

The General Fund is the general operating fund for the School District and is used to account for substantially all revenues and expenditures of the School District. The School District also maintains special revenue funds which are used to account for special aid and school lunch programs. A capital projects fund is used to record capital transactions while a trust and agency fund accounts for moneys received by the School District in a fiduciary capacity.

Basis of Accounting

The School District's governmental funds are accounted for on a modified accrual basis whereby revenues, other than those susceptible ("measurable" and "available" to finance current operations) to accrual, are recorded when received in cash. Revenues susceptible to accrual include real property taxes and State aid. The School District generally records expenditures on the accrual basis when fund liabilities are incurred, except for interest on general obligation debt, which is recorded when it becomes due. Pension costs billed to the School District by the State are recorded as expenditures in full in the fiscal year billed. The estimated unbilled portion of these pension costs for governmental funds are shown as a liability on the balance sheet of the general long-term debt accounts group. Accumulated vacation and sick leave are also accounted for in the general long-term debt account group. Inventories are generally not recorded but expensed at the time of purchase; food and supplies in the school lunch fund are inventoried and carried at values which approximate market. Fixed assets are recorded at replacement costs as determined by appraisal; all capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives.

Investment Policy

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

The primary objectives of the School District's investment policy are, in priority order, as follows:

- To conform to all applicable federal, State and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the School District is generally permitted to deposit moneys which are not required for immediate expenditure in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

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

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the School District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML. The School District is not presently investing in repurchase agreements and is not authorized to invest in reverse repurchase obligations or similar derivative type investments.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Budget Process

Annually, pursuant to the Education Law, the Board prepares or causes to be prepared a budget for the ensuing fiscal year. During November and December, the tentative budget is developed and refined in consultation with school principals and department supervisors. At subsequent meetings of the Board the proposed budget is discussed and further refined. The tentative budget is adopted by the Board and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Prior to the Annual Meeting a public hearing is held with respect to the proposed budget.

Pursuant to Chapter 97 of the Laws of 2011, beginning with the School District's 2012-13 fiscal year, if the proposed budget requires a tax levy increase that, after permissible exemptions are applied, does not exceed the lesser of 2% (subject to certain allowed adjustments) or the increase in a designated measure of the consumer price index (CPI), commonly referred to as the "Tax Cap", a simple majority affirmative vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% affirmative vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Cap also must receive at least 60% voter approval.

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

If the resubmitted or revised budget is not approved by the required margin, the Board must adopt a budget that requires a tax levy no greater than that of the prior fiscal year. For a complete discussion of Chapter 97 of the Laws of 2011, see "REAL PROPERTY TAX INFORMATION – Tax Levy Limitation Law," herein.

The School District's proposed budget for the 2019-20 fiscal year was approved by the voters of the School District on May 21, 2019. The School District has not exceeded its allowable tax levy increase under the tax cap in any fiscal year.

Appropriations established by adoption of the general fund budget constitute a limitation on expenditures (and encumbrances) which may be incurred by the School District. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations occur subject to legal restriction, if the Board approves them because of a need, which exists, or was not determined at the time the budget was adopted.

Revenues

The School District receives most of its revenue from a real property tax on all non-exempt real property situated within the School District and State aid. A summary of such revenues for the last five fiscal years and the budget years ending June 30, 2019 and 2020 may be found in APPENDIX A.

Real Property Taxes

See “REAL PROPERTY TAX INFORMATION,” herein.

State Aid

The School District is dependent to a significant degree on financial assistance from the State in the form of State aid for both operating and capital purposes. If the State should not adopt its budget in a timely manner in any year, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

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

After further litigation in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislature reforms in the wake of *The Campaign for Fiscal Equity* decision include increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation continued, however, as a case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* case was heard on appeal on May 30, 2017 in *New Yorkers for Students’ Educational Rights (“NYSER”) v. State of New York* and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserted that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asked the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the “foundation aid” formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiff’s causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient state funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent “gross educational inadequacies”, claims regarding State funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

State aid to school districts in the State had generally declined in the wake of the 2008-2009 recession before increasing more recently. The total reduction in State aid for the State’s fiscal year ending March 31, 2011 was approximately \$2.1 billion; however, this amount was partially offset by \$726,000 in federal aid for education, including funding from the American Reinvestment and Recovery Act of 2009 and other federal initiatives. As a result, the net State aid reduction for the State’s 2010-2011 fiscal year totaled approximately \$1.4 billion. The State’s adopted budget for the fiscal year ended March 31, 2012 included a decrease of \$1.3 billion in State aid to education.

The State’s adopted budget for the fiscal year that ended March 31, 2013 included a total of approximately \$20.4 billion for school aid, which represented an increase of \$805 million in total education spending. The budget linked a portion of such additional school aid to compliance with a new teacher evaluation process. School districts were not eligible for such portion of aid increases unless they fully implemented the new teacher evaluation process by January 17, 2013. The School District complied with the deadline.

The State's adopted budget for the fiscal year that ended March 31, 2014 included \$20.8 billion in formula-based aid to schools, an increase of \$937 million, or 4.7%, over the prior year. In addition to formula-based aids, another \$75 million was allocated for the expansion of a competitive grant program and about \$300 million was allocated for other categorical program grants. The total school aid increase was close to \$1.1 billion, or 5.3%.

The State's adopted budget for the fiscal year that ended March 31, 2015 included a total of approximately \$21.88 billion for school aid, which represented an increase of \$807 million, or 3.8%, in total education spending, including an increase of \$602.82 million (2.92%) in formula-based aids, including building aid. In addition, the budget supported initiatives to enhance education technology in schools, provided for full-day prekindergarten and rewarded teacher excellence.

The State's adopted budget for the fiscal year that ended March 31, 2016 included a total of approximately \$23.5 billion for school aid, which represented an increase of \$1.4 billion, or 6.2%, in total education spending, most of which (\$1.3 billion) was in the form of formula-based aids, including building aid. The increase in funding was tied to changes in the teacher evaluation and tenure process, which the School District complied with. In addition, the budget provided for new grants to support expanded prekindergarten programs in high-needs districts (\$30 million), help failing schools improve (\$75 million), and established a redesigned teacher evaluation system where highly effective teachers would receive performance bonuses of up to \$20,000 (\$10 million). In addition, the budget included a partial reduction of the Gap Elimination Adjustment ("GEA") instituted in the State's 2010-2011 to 2012-2013 fiscal years. The GEA "Deficit Reduction Assessment" was introduced as a way to help close the State's then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level was divided among all school districts across the State, resulting in a reduction in school district general aid funds. The GEA was an aid reduction number that was deducted from the aid originally due to school districts.

The State's adopted budget for the fiscal year that ended March 31, 2017 included a total of approximately \$24.2 billion for school aid, which represented an increase of \$1.35 billion, or 5.9%, in total education spending over the prior year. Included within the budget was a \$627 million increase in Foundation Aid, \$342 million for expense-based aids, and the total elimination of the GEA. There was also \$100 million set aside for Community Schools Aid, to transform failing and high-needs schools into "community schools" to help to provide mentoring, summer learning activities, and health support to students.

The State's adopted budget for the fiscal year that ended March 31, 2018 increased Education Aid by \$1.1 billion, including a \$700 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$25.8 billion or an increase of 4.4%. Approximately \$3.6 billion in Foundation Aid continued to be due in order to fully phase-in and implement the existing formula. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as has been customary in recent years. Transportation Aid increased 5.5% and Building Aid increased 4.8%. The budget continued to link school aid increases for 2017-18 and 2018-19 with teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law section 3012-d. The budget included a provision to permit school districts to authorize and establish conditions for the partial payment of property taxes.

The State's adopted budget for the fiscal year that ended March 31, 2019, increased Education Aid by \$859 million, including a \$619 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$26 billion or an increase of 3.4 percent. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as has been customary in recent years.

The State's adopted budget for the fiscal year that ends March 31, 2020, increased Education Aid by more than \$1 billion, including a \$618 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$27.9 billion or an increase of 3.8 percent. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as has been customary in recent years.

The State's adopted budgets for the fiscal years March 31, 2019 and March 31, 2020 included provisions that allow the State to reduce expenditures (including aid to municipalities and school districts) mid-year if revenues (including, but not limited to, funding from the federal government) are less than what was expected. If federal support is reduced by \$850 million or more, the State Budget Director will develop a plan to make uniform spending reductions. Such plan would take effect automatically unless the Legislature passes their own plan within 90 days to approve the Governor's plan.

There can be no assurance that the State appropriation for State aid to school districts will not be reduced or delayed in future fiscal years, as the State is not constitutionally obligated to maintain or continue State aid to the School District. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the School District can be paid only if the State has such monies available therefor.

A summary of State aid payments received by the School District for the last five available fiscal years and the amounts budgeted for the 2018-19 and 2019-20 fiscal years are as follows:

Fiscal Year <u>Ending June 30:</u>	Total General Fund <u>State Aid</u>	Total General Fund <u>Revenues</u>	Percentage of Total Revenues Consisting of <u>State Aid</u>
2014	\$14,225,865	\$43,301,759	32.85%
2015	14,904,793	44,427,978	33.55%
2016	15,703,185	45,622,901	34.42%
2017	16,823,208	46,993,803	35.80%
2018	16,985,464	47,686,685	35.62%
2019 (Budgeted)	17,529,213	48,758,299	35.95%
2020 (Budgeted)	16,528,311	48,759,032	33.90%

Source: Audited Annual Financial Reports and Budget of the School District.

Note: This table is NOT audited.

Sales Tax

The School District is also dependent to a modest degree on the portion of sales tax revenues it receives from Monroe County. Livingston and Ontario Counties do not share sales tax with the school districts within their respective borders.

Monroe County has a local sales tax rate of 4.00%. Of the first 3%, the distribution is based on the Morin/Ryan Act of 1985 wherein the City of Rochester receives a share based on population after the County retained 25%; the City of Rochester then gets 50% of post-1985 growth, capped at 35.63% of total. One-third of the remainder goes to suburban school districts, two-thirds to towns and villages, based half on population and half on property value. Schools and villages (not towns) are held harmless to the amount under the pre-1985 calculations; any additional needed comes out of the County share. Of the additional 1%, schools receive 5% based on enrollment, towns receive 3% based on population and villages receive 1.25% based on population. The remaining 90.75% is divided between the City of Rochester and the County, so that, when added to the 3% tax calculated under the Morin/Ryan Act, the City and County shares are equal.

A summary of sales tax payments received by the School District for the last five completed fiscal years and the amounts budgeted for the 2018-19 and 2019-20 fiscal years are as follows:

Fiscal Year <u>Ending June 30:</u>	Total General Fund Sales Tax	Total General Fund Revenues	Percentage of Total Revenues Consisting of Sales Tax
2014	\$1,659,506	\$43,301,759	3.83%
2015	1,605,017	44,427,978	3.61%
2016	1,673,055	45,622,901	3.67%
2017	1,551,823	46,993,803	3.30%
2018	1,463,697	47,686,685	3.07%
2019 (Budgeted)	1,400,000	48,758,299	2.87%
2020 (Budgeted)	1,430,000	48,759,032	2.93%

Source: Audited Annual Financial Reports and Budget of the School District.

Note: This table is NOT audited.

Expenditures

The major categories of expenditure for the School District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in APPENDIX A – Financial Information.

The State Comptroller’s Fiscal Stress Monitoring System

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

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

The most current applicable report of the State Comptroller lists the School District’s current fiscal stress score as 0.0%, putting it in the “No Designation” category.

For a complete list of school district and municipal fiscal stress scores, visit the State Comptroller’s website. For further information on the fiscal stress rating system can be found on the State Comptroller’s website, where recent audits and reports may also be found. Reference to the website implies no warranty of accuracy of information therein. See also “Independent Audits” herein regarding audits by the State Comptroller.

Employee Pension Benefits

Professional employees (teachers and administrators) of the School District are members of the State Teachers' Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All nonprofessional employees of the School District eligible for pension or retirement benefits are members of the State and Local Employees' Retirement System (“ERS,” and collectively with the TRS, the “Systems”). Both the TRS and ERS are non-contributory with respect to the members hired prior to July 1, 1976. All members of the respective systems hired on or after July 1, 1976 contribute 3% of their gross annual salary toward the cost of retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with 10 years of service credit.

On December 10, 2009, former Governor Paterson signed into law pension reform legislation. The legislation created a new Tier 5 pension level, the then-most significant reform of the State’s pension system in more than a quarter-century. Key components of Tier 5 included raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62; requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits, increasing the minimum years of service required to draw a pension from five years to 10 years; capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages; and increasing the vesting period from five years to 10 years. Tier 5 applies to public employees hired on or after January 1, 2010 and on or before April 1, 2012.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provided for a new Tier 6 for employees hired after April 1, 2012. The new pension tier has progressive contribution rates between 3% and 6%; it increased the retirement age for new employees from 62 to 63 and included provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; the time period for calculation of final average salary was increased from three years to five years; and the amount of overtime used to determine an employee’s pension was capped at \$15,000, indexed for inflation, for civilian and non-

uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also included a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

The following schedule reflects the School District’s contribution to the ERS and TRS for the last five fiscal years and the amounts budgeted for the fiscal years ending June 30, 2019 and 2020:

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>TRS</u>	<u>ERS</u>
2014	\$2,393,514	\$953,714
2015	2,642,924	964,056
2016	2,097,311	784,116
2017	1,791,966	684,638
2018	1,594,087	776,352
2019 (Budgeted)	1,906,496	785,000
2020 (Budgeted)	1,595,736	785,000

The School District prepays its pension obligations in December of each year to take advantage of the discounted payment amount offered by the Retirement Systems for paying pension obligations in advance of the February 1 due date. The School District’s contributions made to the Retirement Systems were equal to 100% of the contributions required for each year.

Pursuant to Chapter 49 of the Laws of 2003, the School District is required to contribute a minimum contribution of 4.50% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

Due to significant capital market declines in the wake of the 2008 financial crisis, the Systems’ portfolios experienced negative investment performance and severe downward trends in market earnings. As a result, State Comptroller Thomas DiNapoli announced that the employer contribution rate for the ERS in 2012 and subsequent years would be higher than the minimum contribution rate established by Chapter 49. Recently, this trend has reversed, and contribution rates have begun to decline. For fiscal year 2019-20 average ERS contributions will decrease from 14.9% to 14.6% of payroll. The Systems posted an 5.23% return for the fiscal year ended March 31, 2019.

TRS Administrative Bulletin, Issue No. 2018-7, August 2018, reports that the Retirement Board adopted an Employer Contribution Rate (ECR) of 10.62% of member payroll to be collected in the 2019-20 fiscal year, an increase from the 2018-19 rate of 9.80%. This rate will apply to fiscal year 2018-19 TRS member salaries and will be collected in the fall of 2019.

TRS Administrative Bulletin, Issue No. 2019-1, February 2019, reports that the estimated ECR for the 2019-20 payroll is 8.86%. The actual rate will be adopted at the July 2019 Board meeting. The one-year rate of return on the System’s assets for the fiscal year the ended June 30, 2018 was 9.0%.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to the SRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with installments over a ten-year period but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that such amortizing employer has no currently unpaid prior amortized amount, for future use.

The enacted 2013-14 State Budget established an Alternative Contribution Stabilization Program (ACSP) which allowed local governments and school districts to lessen the cash impact of current increases in pension contributions, while repaying the deferrals with interest as well as contributing to a reserve account to dampen future rate increases. Eligible participating employers had the opportunity to make a one-time election in the 2013-14 fiscal year to the ACSP. Interest rates charged on deferrals to participants in the ACSP program were a rate comparable to a 10-year treasury bond adjusted to a 12-year duration plus one percent. Once a participating employer elected into the program deferred contributions could be amortized over a period of up to 12 years using the ACSP. A participant could not withdraw from the program; however, a participant did not have to amortize for the full 12-year term of the program. There was no penalty for prepayment of amortized amounts. The program would reduce pension contributions for local governments and school districts in the near future but would require higher payments later on. However, those higher payments required in later years could be offset, at least in part, by savings from the new pension tier, Tier 6. The School District does not amortize its pension obligations and has not chosen to participate in this program.

The enacted 2013-14 State Budget also established a program for participating employers in the TRS. As approved by the TRS Board, the program permitted employers to opt into a 12-year temporary program during the period from September 11, 2013 to June 30, 2014, allowing the deferral of a portion of pension contributions in each of the next seven years' bills. As of June 30, 2017, this program has been terminated as there are no longer any participating school districts.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the School District has not yet determined whether it will establish such a fund.

The investment of monies and underlying assumptions of the Retirement Systems covering the School District's employees are not subject to the direction of the School District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAAL"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the School District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

In June 2004, GASB released Statement No. 45 ("GASB 45"), which required state and local governments to account for and report their costs associated with post-employment benefits and other non-pension benefits ("OPEB"), as it accounts for vested pension benefits. OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district accounted for its unfunded accrued liability and its compliance in meeting its ARC.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement 75 (“GASB 75”), which when supersedes and eliminates GASB 45. This Statement establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities or school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 was required to be implemented for all municipalities and school districts in the fiscal year beginning after June 2017. Actuarial valuation is required every two years for OPEB plans.

The School District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past five years under the GASB 45 methodology are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Annual Required Obligation</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$3,531,462	31.86%	\$8,959,015
2013	3,676,058	29.27%	11,558,929
2014	3,676,058	29.27%	14,158,843
2015	4,236,805	31.28%	17,070,293
2016	4,236,805	31.28%	19,981,743

Under GASB 75, the School District’s annual change in OPEB expense and liability for the last two fiscal years are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Annual OPEB Costs Contributed</u>	<u>Total OPEB Expense</u>	<u>Total OPEB Liability</u>
2017	\$8,382,254	\$88,015,536	2017
2018	11,041,964	99,417,500	2018

There is no authority in current state law to establish a reserve fund to meet this liability. While State Comptroller DiNapoli proposed a bill in April 2015, and again in 2016, that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation did not advance past the committee stage. The School District continues to meet this liability on a pay-as-you-go basis.

School districts and boards of cooperative education services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. This protection from unilateral reduction of benefits has been extended permanently pursuant to Part B (Section 14) of Chapter 504 of the laws of 2009. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

Additional information about GASB 75, GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The School District derives its power to levy an *ad valorem* real property tax from the State Constitution. Methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the School District are prepared by the various town assessors. Assessment valuations are determined by the town assessors and the State Office of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Office of Real Property Services annually establishes State Equalization Rates for all localities in the

State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

The following table presents the total tax levy tax rates and collection performance for each of the last five available fiscal years.

Tax Collection Record

	Fiscal Year Ended June 30:				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Tax Levy for All Purposes	\$26,332,062	\$26,975,588	\$27,236,475	\$27,766,651	\$28,660,116
Less STAR Reimbursement	3,073,316	3,150,968	3,028,379	2,896,424	2,825,091
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,315)</u>	<u>0</u>
Total Taxes to be Collected	\$23,258,746	\$23,824,620	\$24,208,096	\$24,867,912	\$25,835,025
Taxes Collected Prior to Return to County	<u>22,179,097</u>	<u>22,944,003</u>	<u>23,355,615</u>	<u>24,011,180</u>	<u>24,886,820</u>
Uncollected Returned to County	\$1,079,649	\$880,617	\$852,481	\$856,732	\$948,205
Percentage Collected Prior to Return	95.36%	96.30%	96.48%	96.57%	96.33%

Source: School District Officials.

Percentage of Revenues - Real Property Taxes

Fiscal Year Ending June 30:	Total General Fund Real Property Taxes	Total General Fund Revenues	Percentage of Total Revenues Consisting of Real Property Taxes
2014	\$25,861,676	\$43,301,759	59.72%
2015	26,462,056	44,427,978	59.56%
2016	27,107,585	45,622,901	59.42%
2017	27,240,550	46,993,803	57.97%
2018	27,848,587	47,686,685	58.40%
2019 (Budgeted)	28,660,116 ¹	48,758,299	58.78%
2020 (Budgeted)	29,461,442 ¹	48,759,032	60.42%

Source: Audited Annual Financial Reports and Budgets of the School District.

Note: ¹ Includes STAR reimbursement from the State.

Tax Collection Procedure

Taxes are payable during September without penalty. A 2% penalty is added for the month of October. A 3% penalty is added for the first few days in November. On November 15, all unpaid taxes are turned over to the respective County Treasurers' Offices for relevy on County/Town tax rolls. The responsibility for collection of unpaid taxes rests with the Counties, which reimburses the School District for unpaid taxes in April each year. The School District is thereby assured of 100% tax collection annually.

Source: School District Officials.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the 2011 Laws of New York was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers).

On June 25, 2015, Chapter 20 of the 2015 Laws of New York (“Chapter 20”) amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. The State’s enacted budget for the fiscal year ending March 31, 2020 made the Tax Levy Limitation Law permanent. Chapter 20 also affects the calculation of tax base growth factor as outlined below.

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

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. Chapter 20 additionally allows the State Commissioner of Taxation and Finance to adjust for changes in the real property base to reflect development on tax exempt real property.

Beginning with the 2012-2013 fiscal year, school districts have had to submit their proposed tax levies to the voters each year. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the school district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cash flow borrowings including tax anticipation notes, revenue anticipation notes, and budget notes. “Capital Local Expenditures”, are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and this is an exclusion from the tax levy limitation. Chapter 20 also allows the State Commissioner of Taxation and Finance to adjust the exclusion to reflect a school district’s share of capital expenditures related to projects funded through a board of cooperative educational services.

Real Property Tax Rebate (Chapter 20). Chapter 20 introduced a new real property tax rebate program that will provide State-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see “STAR - School Tax Exemption,” herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20 Real Property Tax Rebate. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 vary based on a taxpayer’s personal income level and STAR tax savings.

Under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. However, for many taxpayers only the compliance of the

school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law.

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program. Beginning in 2016, new homeowners received the STAR credit in the form of a check rather than receiving a property tax exemption.

Homeowners over 65 years of age with household incomes of \$86,300 or less (an increase from \$86,000 in the 2018-19 year) are eligible for a “full value” exemption for the first \$68,700 of the homeowner’s primary residence from school property taxes in the 2019-20 school year (increased from \$66,800 in the 2018-19 school year). Other homeowners where the owner’s total income is less than \$500,000 are eligible for at least a \$30,000 “full value” exemption on their primary residence. Beginning with school taxes for the 2011-12 school year, legislation caps STAR savings increases at 2% of the prior year’s savings. The School District typically receives full reimbursement of such exempt taxes from the State by the first business day of January in each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. The dollar benefit to eligible taxpayers will not change. However, for any homeowner that owned his or her home after the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, such homeowner will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill.

The details of the STAR exemption formulas are available from the website of the State Department of Taxation and Finance. Reference to the website implies no warranty of accuracy of the information therein.

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Assessed and Full Valuations

Fiscal Year Ending June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuations:					
Avon	\$12,984,757	\$13,010,011	\$13,146,654	\$13,201,085	\$13,934,972
Henrietta	1,567,255	1,576,387	1,580,064	1,583,852	1,586,916
Lima	212,497,217	216,017,051	218,563,086	218,706,633	237,357,694
Livonia	4,631,028	4,661,468	4,939,031	4,757,606	4,684,100
Mendon	835,185,764	836,087,658	841,875,748	873,128,149	879,608,206
Richmond	34,965	35,647	36,374	37,082	37,834
Rush	24,299,594	24,764,333	24,881,593	25,052,350	24,971,600
Victor	2,306,093	2,291,942	2,345,117	2,337,569	2,482,068
West Bloomfield	37,458,511	37,995,809	38,232,223	39,775,299	44,464,174
Total	<u>\$1,130,965,184</u>	<u>\$1,136,440,306</u>	<u>\$1,145,599,890</u>	<u>\$1,178,579,625</u>	<u>\$1,209,127,564</u>
Equalization Rates:					
Avon	100.00%	100.00%	98.00%	98.00%	100.00%
Henrietta	100.00%	100.00%	100.00%	100.00%	100.00%
Lima	100.00%	100.00%	96.00%	95.00%	100.00%
Livonia	100.00%	100.00%	100.00%	98.00%	100.00%
Mendon	100.00%	100.00%	100.00%	100.00%	100.00%
Richmond	100.00%	100.00%	100.00%	100.00%	97.00%
Rush	98.00%	98.00%	97.00%	92.00%	86.00%
Victor	100.00%	100.00%	100.00%	100.00%	100.00%
West Bloomfield	98.00%	94.00%	93.00%	95.00%	100.00%
Full Valuations:					
Avon	\$12,984,757	\$13,010,011	\$13,414,953	\$13,470,495	\$13,934,972
Henrietta	1,567,255	1,576,387	1,580,064	1,583,852	1,586,916
Lima	212,497,217	216,017,051	227,669,881	230,217,508	237,357,694
Livonia	4,631,028	4,661,468	4,939,031	4,854,700	4,684,100
Mendon	835,185,764	836,087,658	841,875,748	873,128,149	879,608,206
Richmond	34,965	35,647	36,374	37,082	39,004
Rush	24,795,504	25,269,728	25,651,127	27,230,815	29,036,744
Victor	2,306,093	2,291,942	2,345,117	2,337,569	2,482,068
West Bloomfield	38,222,970	40,421,073	41,109,917	41,868,736	44,464,174
Total	<u>\$1,132,225,553</u>	<u>\$1,139,370,965</u>	<u>\$1,158,622,212</u>	<u>\$1,194,728,906</u>	<u>\$1,213,193,878</u>
Tax Rate / \$1,000 Assessed Value:					
Avon	\$24.52	\$24.90	\$25.22	\$24.91	\$24.78
Henrietta	22.89	23.28	23.10	22.86	23.24
Lima	24.52	24.90	25.75	25.67	24.78
Livonia	24.52	24.90	24.72	24.91	24.78
Mendon	22.89	23.28	23.11	22.86	23.24
Richmond	24.52	24.90	24.72	24.41	25.54
Rush	23.36	23.76	23.82	24.84	26.90
Victor	24.52	24.90	24.72	24.41	24.78
West Bloomfield	25.02	26.49	26.58	25.69	24.78

Source: School District Officials.

Ten Largest Taxpayers
2018 Assessment Roll for 2018-19 Taxes

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
Rochester Gas & Electric	Utility	\$13,903,972
Niagara Mohawk	Utility	5,911,864
Ten Carriage Street	Manufacturing	4,785,700 ¹
Empire State Pipeline	Utility	4,109,322
Frontier Telephone	Utility	3,409,116
Indus Honeoye Falls Assoc.	Real Estate	4,352,500
Consler Corporation	Industrial	2,378,400
Southco Inc	Manufacturing	2,350,000
Honeoye Falls Plaza	Real Estate	2,770,000
Conifer Pinehurst	Real Estate	1,667,500
Total		<u>\$45,638,374</u> ²

Source: School District Officials

Notes: ¹ Property has pending tax certiorari claim.

² Represents 3.76% of the 2018-19 full valuation of \$1,213,193,878 of the School District.

LITIGATION

In common with other local governments and school districts, the School District from time to time receives notices of claim and is party to litigation. In the opinion of the School District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the School District has not asserted a substantial and adequate defense, nor which, if determined against the School District, would have an adverse material effect on the financial condition of the School District.

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

Source: School District Officials.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

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

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

The School District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In some years, the School District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "FINANCES OF THE SCHOOL DISTRICT – State Aid," herein).

There are a number of general factors which could have a detrimental effect on the ability of the School District to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the School District. Unforeseen developments could also result in substantial increases in City expenditures, thus placing strain on the School District's financial condition. These factors may have an effect on the market price of the Notes.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a note will decline, causing the noteholder to incur a potential capital loss if such note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the School District. Any such future legislation would have an adverse effect on the market value of the Notes (See "TAX MATTERS," herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the School District and hence upon the market price of the Notes. See "REAL PROPERTY TAX INFORMATION – Tax Levy Limitation Law," herein.

Cybersecurity. The School District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the School District operations and/or damage from cyber incidents or cyber-attacks, the School District has invested in cybersecurity and other operational controls. While the School District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of the interest on obligations such as the Notes. The School District has covenanted to comply

with certain restrictions designed to ensure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. 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 Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes are excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect a owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner and of the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. (See "LEGAL MATTERS," herein).

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been made in recent years which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarifications of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. Bond Counsel's opinion will be substantially in the form attached hereto as APPENDIX C.

MATERIAL EVENT NOTICES

In accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the School District has agreed to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") System established and operated by the Municipal Securities Rulemaking Board ("MSRB") or such other similar system established and operated by the MSRB, notice of the occurrence of any of the following events with respects to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (g) modifications to rights of Note holders, if material;
- (h) note calls, if material;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; and
- (k) rating changes.
- (l) bankruptcy, insolvency, receivership or similar event of the School District;
- (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a “financial obligation” (as defined in the Rule) of the School District, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect Note holders, if material;
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the School District, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no “debt service reserves” will be established for the Notes.

With respect to event (d), the School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

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

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Notes; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Notes within the meaning of the Rule.

The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices undertaking and any failure by the School District to comply with the

provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

An “Undertaking to Provide Notice of Certain Material Events” to this effect shall be provided to the purchaser(s) at closing.

During the previous five years, the School District has complied, in all material respects, with its previous continuing disclosure undertakings.

RATING

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

Moody’s Investors Service currently rates the long-term debt of the School District “Aa3”. Such rating reflects only the view of such rating agency and any desired explanation of the significance of such ratings should be obtained from such rating agency. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Notes. Such rating should not be taken as a recommendation to buy or hold the Notes.

MUNICIPAL ADVISOR

Municipal Solutions, Inc. is an independent municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities. In preparing the Official Statement, Municipal Solutions, Inc. has relied upon School District officials and other sources, whom have access to relevant data to provide accurate information for this Official Statement. Municipal Solutions, Inc. has not been engaged, nor has it undertaken to, independently verify the accuracy, completeness or fairness of such information. Municipal Solutions, Inc. is not a firm of certified public accountants and has not been engaged by the issuer to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards and principles.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the School District, 20 Church Street, Honeoye Falls, New York, 14472 telephone number 585-624-7024, or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>

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

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

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the School District’s management’s beliefs as well as assumptions made by, and information available to, the School District management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the School District files with the repositories. When used in School District documents or oral presentations, the words “anticipate”,

“estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Municipal Solutions, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Municipal Solutions, Inc. and the School District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

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

HONEOYE FALLS-LIMA CENTRAL SCHOOL DISTRICT

June 19, 2019
Honeoye Falls, New York

Amy West
President of the Board of Education and Chief Fiscal Officer

Additional copies of the Notice of Sale and Official Statement may be obtained upon request
from the office of Municipal Solutions, Inc., 2528 State Route 21,
Canandaigua, New York 14424, telephone (585) 394-4090.
Website: www.municipalsolution.com

APPENDIX A

FINANCIAL INFORMATION

**Statement of Revenues, Expenditures and Fund Balances
General Fund - Honeoye Falls-Lima CSD**

	Fiscal Year Ending June 30:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Real Property Taxes & Tax Items	\$25,861,676	\$26,462,056	\$27,107,585	\$27,307,518	\$27,848,587
Non-Property Taxes	1,659,506	1,605,017	1,673,055	1,551,823	1,463,697
Charges for Services	745,014	747,717	697,681	733,822	674,670
Use of Money & Property	95,054	70,668	100,691	96,610	189,162
Sale of Property & Comp. for Loss	107,311	97,634	50,869	73,148	81,798
Miscellaneous Local Sources	593,075	533,132	281,661	404,567	413,553
Interfund Revenues	0	693	0	0	0
State Sources	14,225,865	14,904,793	15,703,185	16,823,208	16,985,464
Federal Aid	14,258	6,268	8,174	3,107	29,754
Total Revenues	\$43,301,759	\$44,427,978	\$45,622,901	\$46,993,803	\$47,686,685
Expenditures:					
General Support	\$4,084,981	\$4,323,963	\$4,548,967	\$4,502,678	\$4,548,524
Instruction	20,957,569	21,649,175	22,346,712	22,475,021	23,079,101
Pupil Transportation	1,807,205	1,711,479	1,833,748	1,757,967	1,834,376
Community Service	484,994	519,520	535,885	563,636	548,711
Employee Benefits	9,912,697	10,595,351	10,933,291	10,793,843	11,163,273
Debt Service	4,639,859	4,650,282	4,917,784	4,661,756	4,603,668
Total Expenditures	\$41,887,305	\$43,449,770	\$45,116,387	\$44,754,901	\$45,777,653
Other Sources & Uses:					
Operating Transfers In	\$0	\$175,000	\$175,000	\$0	\$0
Operating Transfers Out	(1,514,847)	(670,257)	(4,254,481) ¹	(776,873)	(694,951)
Total Other Sources & Uses	(\$1,514,847)	(\$495,257)	(\$4,079,481)	(\$776,873)	(\$694,951)
Excess (Deficit) Revenues & Other Sources Over Expenditures	(\$100,393)	\$482,951	(\$3,572,967)	\$1,462,029	\$1,214,081
Fund Balances Beg. of Fiscal Year	\$12,890,754	\$12,790,361	\$13,273,312	\$9,700,345	\$11,162,374
Fund Balances End of Fiscal Year	\$12,790,361	\$13,273,312	\$9,700,345	\$11,162,374	\$12,376,455

Source: Audited Annual Financial Reports of the School District.

Notes: ¹ Largely due to a transfer of capital reserve monies to the capital fund for the project approved by voters in May 2016. See "INDEBTEDNESS OF THE SCHOOL DISTRICT - Authorized and Unissued Indebtedness", herein.

This table is NOT audited.

Balance Sheet
General Fund - Honeoye Falls-Lima CSD

	Fiscal Year Ending June 30:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assets:					
Cash & Cash Equivalents	\$13,930,489	\$14,394,317	\$10,163,636	\$10,940,836	\$11,903,304
Receivables	1,469,154	1,502,035	1,487,902	1,723,315	1,534,147
Due from Other Funds	270,814	265,784	267,068	326,708	267,783
Prepaid Items	0	470,691	542,605	593,542	800,009
Deferred Expenditures	<u>460,516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$16,130,973</u>	<u>\$16,632,827</u>	<u>\$12,461,211</u>	<u>\$13,584,401</u>	<u>\$14,505,243</u>
Liabilities:					
Accounts Payable	\$389,240	\$81,217	\$41,884	\$178,110	\$103,552
Accrued Liabilities	104,225	172,622	188,050	62,118	63,512
Due to Other Funds	2,061	18,816	38,204	0	0
Deferred Revenues	89,034	76,700	126,074	0	0
Due to Teachers' Retirement System	2,452,591	2,714,253	2,097,311	1,869,234	1,594,087
Due to Employees' Retirement System	303,461	295,907	269,343	204,193	235,677
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>108,372</u>	<u>131,959</u>
Total Liabilities	<u>\$3,340,612</u>	<u>\$3,359,515</u>	<u>\$2,760,866</u>	<u>\$2,422,027</u>	<u>\$2,128,787</u>
Fund Balances:					
Nonspendable	\$758,916	\$755,520	\$805,875	\$871,190	\$1,084,543
Restricted	8,888,524	9,226,814	5,408,499	6,836,926	7,732,821
Assigned	1,308,985	1,394,842	1,545,751	1,485,436	1,531,160
Unassigned	<u>1,833,936</u>	<u>1,896,136</u>	<u>1,940,220</u>	<u>1,968,822</u>	<u>2,027,932</u>
Total Fund Balances	<u>\$12,790,361</u>	<u>\$13,273,312</u>	<u>\$9,700,345</u>	<u>\$11,162,374</u>	<u>\$12,376,456</u>
Total Liabilities & Fund Balances	<u>\$16,130,973</u>	<u>\$16,632,827</u>	<u>\$12,461,211</u>	<u>\$13,584,401</u>	<u>\$14,505,243</u>

Source: Audited Annual Financial Reports of the School District.

Note: This table is NOT audited.

Budget Summary
General Fund - Honeoye-Falls Lima CSD
 Fiscal Year Ending June 30, 2019

Revenues:

Real Property Taxes	\$28,660,116
Other Tax Items	78,750
Non-Property Taxes	1,400,000
Charges for Services	628,500
State Aid	17,529,213
Other Revenue	461,720
Use of Reserves	1,100,000
Use of Fund Balance	840,000
Total Revenues	<u>\$50,698,299</u>

Expenditures:

General Support	\$5,062,634
Instruction	25,084,059
Pupil Transportation	2,040,804
Community Services	612,577
Census	3,000
Employee Benefits	12,903,136
Debt Service	4,827,089
Interfund Transfers	165,000
Total Expenditures	<u>\$50,698,299</u>

Source: Adopted Budget of the School District.

Note: This table is NOT audited.

Budget Summary
General Fund - Honeoye-Falls Lima CSD
Fiscal Year Ending June 30, 2020

Revenues:

Real Property Taxes	\$29,461,442
Other Tax Items	62,509
Non-Property Taxes	1,430,000
Charges for Services	645,000
State Aid	16,528,311
Other Revenue	631,770
Use of Reserves	1,100,000
Use of Fund Balance	840,000
Total Revenues	<u>\$50,699,032</u>

Expenditures:

General Support	\$5,119,419
Instruction	26,294,763
Pupil Transportation	2,106,734
Community Services	627,170
Census	3,000
Employee Benefits	12,831,122
Debt Service	3,551,824
Interfund Transfers	165,000
Total Expenditures	<u>\$50,699,032</u>

Source: Adopted Budget of the School District.

Note: This table is NOT audited.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**HONEOYE FALLS-LIMA CENTRAL SCHOOL DISTRICT
LIVINGSTON, MONROE AND ONTARIO COUNTIES, NEW YORK**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE SCHOOL DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NEITHER BEEN REQUESTED NOR OBTAINED.

APPENDIX C

FORM OF BOND COUNSEL'S LEGAL OPINION

July 16, 2019

Honeoye Falls-Lima Central School District
Counties of Livingston, Monroe and Ontario
State of New York

Re: Honeoye Falls-Lima Central School District, Livingston, Monroe and Ontario Counties, New York
\$14,500,000 Bond Anticipation Notes, 2019 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$14,500,000 Bond Anticipation Notes, 2019 Series A (the "Obligations"), of the Honeoye Falls-Lima Central School District, Livingston, Monroe and Ontario Counties, State of New York (the "Obligor"), dated July 16, 2019, numbered ____, of the denomination of \$_____, bearing interest at the rate of ____% per annum, payable at maturity and maturing July 15, 2020.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of *ad valorem* taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, efforts or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP