

FINAL OFFICIAL STATEMENT DATED JULY 6, 2011

NEW ISSUE/RENEWALS

TAX ANTICIPATION NOTES AND BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Clarence Central School District, Erie County, New York (the "District") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

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

CLARENCE CENTRAL SCHOOL DISTRICT ERIE COUNTY, NEW YORK (the "District")

\$7,500,000 TAX ANTICIPATION NOTES, 2011 (the "TANs")

Dated: July 21, 2011

Maturity Date: June 21, 2012

Interest Rate: 0.72% Not Reoffered

JPMORGAN CHASE BANK, N.A.

AND

\$1,502,500 BOND ANTICIPATION NOTES, 2011A (the "BANs" and, collectively with the TANs, the "Notes")

Interest Rate: 1.00% CUSIP: 180312JT8 Reoffered @ .65%

TD SECURITIES (USA) LLC

Dated: July 21, 2011

Maturity Date: July 19, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable real property within the District will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose (subject to certain recently-enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limit Law"]; see "TAX INFORMATION—Tax Levy Limit Law," herein).

Prior Redemption: The Notes will NOT be subject to redemption prior to their maturity.

Form and Denomination: The \$7,500,000 TAN will be issued as a registered note and will be registered in the name of the purchaser. Principal of and interest on the TAN will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the such purchaser. The TAN will be issued in registered form as a single TAN certificate with a face amount of \$7,500,000.

Form and Denomination: The \$1,502,500 BAN will be registered to the Depository Trust Company ("DTC" or the "Securities Depository"). The BAN will be registered in the name of Cede & Co. as nominee of DTC, which will act as securities depository for the BAN. Individual purchases of interests in the BAN will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof (except for one necessary BAN of an odd denomination).

Purchaser of interests in the BAN will not receive certificates representing their ownership interest. Payments of principal of and interest on the BANs will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the BANs as described herein. See “Book-Entry-Only System” herein.

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

The Notes are offered when, as and if issued and received by the initial purchasers and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York, and certain other conditions. It is anticipated that the \$1,502,500 BAN will be available for delivery in New York, New York, and that the \$7,500,000 TAN will be available for delivery in Buffalo, New York (or at such other place as may be agreed upon with purchaser), in both cases on or about July 21, 2011.

THE REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE DISTRICT DATED JUNE 27, 2011 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE “RULE”). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, THE REVISION OF THE SECTIONS “DESCRIPTION OF THE NOTES,” “SECURITY AND SOURCE OF PAYMENT,” “DEBT LIMIT,” “BUDGET PROCESS,” “TAX LEVY LIMIT LAW” AND “LEGAL MATTERS,” THERE HAVE BEEN NO REVISIONS TO SUCH OFFICIAL STATEMENT. FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENT TO PROVIDE NOTICE OF MATERIAL EVENTS AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

OFFICIAL STATEMENT DATED JUNE 27, 2011

NEW ISSUE/RENEWALS

**TAX ANTICIPATION NOTES AND
BOND ANTICIPATION NOTES**

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Clarence Central School District, Erie County, New York (the "District") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

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

**CLARENCE CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District")**

**\$7,500,000 TAX ANTICIPATION NOTES, 2011
(the "TANs")**

Dated: July 21, 2011

Maturity Date: June 21, 2012

AND

**\$1,502,500 BOND ANTICIPATION NOTES, 2011A
(the "BANs" and, collectively with the TANs, the "Notes")**

Dated: July 21, 2011

Maturity Date: July 19, 2012

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable real property within the District will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purpose (subject to certain recently-enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the "Tax Levy Limit Law"]; see "TAX INFORMATION—Tax Levy Limit Law," herein).

Prior Redemption: The Notes will NOT be subject to redemption prior to their maturity.

Form and Denomination: The Notes will be issued as registered notes and, at the option of the purchaser(s), may be registered to the Depository Trust Company ("DTC" or the "Securities Depository"), or may be registered in the name of the purchaser(s).

If the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co. as nominee of DTC, which will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof (except for one necessary Bond Anticipation Note of an odd denomination), as may be determined by such purchaser(s). Purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payments of principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes as described herein. See "Book-Entry-Only System" herein.

If the Notes are registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the such purchaser(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof (except for one necessary Bond Anticipation Note of an odd denomination), as may be determined by such purchaser.

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York or at such other place as may be agreed with the purchaser on or about July 21, 2011.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICES OF SALE WITH RESPECT TO THE NOTES. IN ADDITION, THE DISTRICT WILL ENTER INTO SEPERATE UNDERTAKINGS TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "DISCLOSURE UNDERTAKINGS," HEREIN).

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ERIE COUNTY, NEW YORK**

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* * *

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No dealer, broker, salesman or other person has been authorized by the 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 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 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 District since the date hereof.

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OFFICIAL STATEMENT

**CLARENCE CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District")**

**\$7,500,000 TAX ANTICIPATION NOTES, 2011
(the "TANs")**

AND

**\$1,502,500 BOND ANTICIPATION NOTES, 2011A
(the "BANs")
(collectively the "Notes" and, collectively with the TANs, the "Notes")**

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Clarence Central School District, in the County of Erie, in the State of New York (the "District," "County" and "State," respectively) in connection with the sale of the District's \$7,500,000 Tax Anticipation Notes, 2011 (the "TANs") and \$1,502,500 Bond Anticipation Notes, 2011A (the "BANs" and, collectively with the BANs, the "Notes") of the District.

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

THE NOTES

Description of the Notes

The TANs

The TANs will be dated July 21, 2011 and will mature, without right of redemption, in whole or in part, prior to maturity, on June 21, 2012 with interest payable at maturity at the annual rate specified by the purchaser.

The BANs

The BANs will be dated July 21, 2011 and will mature, without right of redemption, in whole or in part, prior to maturity, on July 19, 2012 with interest payable at maturity at the annual rate specified by the purchaser.

Interest on the Notes shall be calculated on a 30 day month and a 360 day year basis.

The Notes will be general obligations of the District, and will contain a pledge of the District's 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). All the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain recently-enacted statutory limitations imposed by the Tax Levy Limit Law; see "TAX INFORMATION—Tax levy Limit Law," herein).

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof (except for one necessary Bond Anticipation Note of an odd denomination), as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York, with DTC as securities depository for the Notes. See "Book-Entry-Only System" herein. Under this DTC scenario, one fully-registered note certificate will be issued for all Notes bearing the same rate of

interest and CUSIP number, each in the aggregate principal amount of such issue, and 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 District directly to DTC for its nominee, Cede & Co.

The financial condition of the 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 District. See “Noteholder Risks,” herein.

Optional Redemption

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

Book-Entry-Only System

The following is relevant only if the Notes are issued in book-entry form. DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each maturity of the Notes, bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulate 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”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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 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.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 nor its nominee, agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE 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 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 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

At the option of the purchaser(s) the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be payable in federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or multiples thereof (except for one necessary Bond Anticipation Note of an odd denomination), as may be determined by such successful bidder(s). The Notes will NOT be subject to redemption, in whole or in part, prior to their stated final maturity dates.

Authorizations and Purposes

The TANs

The TANs are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to allow the District to finance cash flow requirements in anticipation of the District's collection of 2011-2012 real property taxes levied or to be levied for school purposes on all taxable real property in the District. The proceeds of the TANs may be used only for the purposes for which such taxes were or are to be levied, as specified in the 2011-12 annual budget of the District, unless all of such purposes have been paid and satisfied, in which case the proceeds of the Notes may be used for any lawful school purpose. The proceeds of the TANs will not be used for the redemption or renewal of any outstanding tax or revenue anticipation notes.

Section 24.00(e) of the Local Finance Law authorizes the District to issue tax anticipation notes ten days prior to the commencement of a fiscal year in anticipation of the collection of taxes levied for such fiscal year. Such tax anticipation notes may not be issued in an amount in excess of the amount of taxes levied or to be levied which is uncollected at the time of the issuance of the tax anticipation notes, less the amount of previously issued tax anticipation notes issued in anticipation of such taxes. The proceeds of the tax anticipation notes may be used only for purposes for which the taxes in anticipation of which the tax anticipation notes are to be issued were levied or are to be levied.

The TANs will be sold to the purchaser(s) at par plus accrued interest if any, from July 21, 2011, plus a premium, if any.

For a description of prior issues of tax anticipation notes and of projected issues of obligations for capital and operating purposes of the District, see the discussion herein under the headings "Bond Anticipation Notes" and "Revenue and Tax Anticipation Notes."

Whenever the principal amount of the tax anticipation notes equals the amount of taxes remaining uncollected for the fiscal year for which the taxes were or are to be levied, all such uncollected taxes, as thereafter collected, must be set aside in a special bank account to be used only for the payment of the tax anticipation notes, unless other provision is made by budgetary appropriation for the redemption of the tax anticipation notes. Interest on the TANs will be provided from budget appropriations.

The BANs

The BANs are being issued in accordance with the Constitution and statutes of the State of New York, including the Education Law, the Local Finance Law and various bond resolutions duly adopted by the Board of Education of the District. Proceeds of the BANs, along with \$730,750 of available funds of the District, will be used to redeem and renew (in part), \$2,233,250 of outstanding bond anticipation notes of the District which were originally issued to provide funds for the purchase of school buses pursuant to bond resolutions adopted by the Board of Education of the District on June 11, 2007, June 9, 2008 and June 14, 2010.

For further information regarding bond resolutions of the District see "Indebtedness of the District."

The BANs will be sold to the purchaser at par plus accrued interest, if any, from July 21, 2011 plus premium, if any.

Estimated Monthly Cash Flow

		Beginning Unencumbered Cash Balance July 1, 2011.....		\$7,000,000
<u>Year</u>	<u>Month</u>	<u>Estimated Revenues</u>	<u>Estimated Expenses</u>	<u>Cumulative Surplus (or deficit)</u>
2009	July	\$59,000	\$3,358,396	\$3,700,604
	August	59,000	2,230,146	1,529,458
	September	1,309,000	5,030,146	(2,191,688)
	October 1-14	0	4,753,431	(6,945,118)
	October 15-31	28,452,600	2,376,715	19,130,767
	November	7,382,800	5,620,146	20,893,421
	December	1,309,000	5,815,146	16,387,275
2010	January	4,059,000	5,030,146	15,416,129
	February	1,833,600	5,030,146	12,219,583
	March	1,309,000	5,030,146	8,498,438
	April	5,392,333	5,030,146	8,860,625
	May	5,392,333	10,080,146	4,172,812
	June	6,642,333	8,815,146	<u>2,000,000</u>
		Ending Balance June 30, 2012.....		<u>\$103,672,306</u>

Security and Source of Payment

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

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

On June 24, 2011, the Tax Levy Limit Law was adopted in the State. The Tax Levy Limit Law establishes certain limitations on the power of local governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). This is new legislation, and it is not yet certain whether the Tax Levy Limit Law will withstand Constitutional scrutiny if, as expected, it is challenged in court. The Tax Levy Limit Law will have its first application with respect to the District's budget for 2012-2013, which begins on July 1, 2012. Since the Notes mature in the District's 2012-2013 fiscal year, the new legislation could have an effect on the holders of the Notes. Although the Notes will be outstanding after the new legislation applies to the District, the new legislation does make certain allowances for the exclusion of tax levy increases associated with capital expenses by school districts. See "TAX INFORMATION -- Tax Levy Limit Law" herein. Also, certain special protective procedures and remedies available to holders of school district debt remain in place and are not affected by the Tax Levy Limit Law. See "THE NOTES -- Remedies Upon Default" herein.

Remedies of Noteholders on Default

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

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

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

Under current law, provision is made for contract creditors (including the holders of the Notes) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation 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 current funds or the proceeds of a tax levy.

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

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. 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 or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code (the "Bankruptcy Code") allows public bodies such as the District 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 to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

Under the Bankruptcy Code, a petition may be filed in Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the Federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The District has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal payments made by the District in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the District were voidable preferences. If these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

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 municipality of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, 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 ever been declared with respect to the District.

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

THE DISTRICT

Description

The District, which comprises an area of approximately 60 square miles, and has a current estimated population of 27,832, is located in the northeastern portion of Erie County about six miles east of Buffalo. On a valuation basis, the District includes almost 90% of the Town of Clarence, about 14% of the Town of Newstead and minor portions of the Towns of Amherst and Lancaster. The District is primarily residential in character, with some commercial and industrial activity. Residential development consists primarily of single family homes, commercial and industrial development includes sizable shopping centers, nationally-known department stores, industrial parks, and a General Motors Training Center. Major airlines operate from the Buffalo Niagara International Airport; the New York State Thruway and several railroads also serve the area.

Source: District Officials

District Organization

The District is an independent entity governed by an elected board of education comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school district; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held in May). The term of office for each board member is three years and the number of terms that may

be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District.

The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other duties reasonably required to fulfill the responsibilities provided by the law.

The Board of Education 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. Such Superintendent is the chief executive officer of the 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 of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and Business Administrator. The District’s current Superintendent of Schools, Dr. Thomas Coseo, has announced his intention to retire as of June 30, 2011; the District is currently engaged in a formal search process to identify and hire a new Superintendent of Schools.

Enrollment

<u>School Year</u>	<u>Enrollment</u>
2006-07	5,162
2007-08	5,181
2008-09	5,165
2009-10	5,107
2010-11	5,094

Enrollment Projections

<u>School Year</u>	<u>K - 12 Enrollment</u>
2011-12	5,048
2012-13	5,053
2013-14	5,029
2014-15	5,027
2015-16	5,015

District Facilities

<u>Name of School</u>	<u>Grades Served</u>	<u>Capacity</u>	<u>Date of Construction</u>	<u>Date of Last Alteration</u>	<u>Insurable Value*</u>
Clarence Senior High School	9-12	1,900	1950	2007	\$39,189,113
Clarence Middle School	6-8	1,500	1965	2007	21,804,415
Clarence Center Elementary	K-5	700	1938	N/A	6,885,160
Ledgeview Elementary School	K-5	700	1962	2001	6,689,497
Sheridan Hill Elementary School	K-5	700	1958	2001	7,016,745
Harris Hill Elementary School	K-5	700	1953	2001	6,184,426
Bus Garage	--	--	1998	N/A	849,389
Storage Building	--	--	1996	N/A	161,267

Note: * Blanket coverage for buildings and personal property.

Employees

The District provides services through approximately 550 full-time and 290 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>
New York State United Teachers	450	June 30, 2012
Civil Service Employees Association	390	June 30, 2013

Source: District Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population

<u>Year</u>	<u>School District</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	19,674	968,532	17,990,455	249,632,692
2000	24,141	950,265	18,976,457	281,421,906
2010	27,832	919,040	19,378,102	308,745,538

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>School District</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	\$41,815	\$28,005	\$32,965	\$30,056
2000	61,512	38,567	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>School District</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
1990	\$17,561	\$13,560	\$16,501	\$14,420
2000	30,157	20,357	23,389	21,587

Source: US Census Bureau

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Erie County</u>	<u>New York State</u>	<u>United States</u>
2006	5.0%	4.6%	4.6%
2007	4.8	4.5	4.6
2008	5.7	5.3	5.8
2009	8.3	8.4	9.3
2010	8.2	8.6	9.6

2011 Monthly Rates:

January	8.9%	9.0%	9.8%
February	8.5	8.7	9.5
March	7.9	8.0	9.2
April	7.4	7.7	8.7
May	7.4	8.7	7.8

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

INDEBTEDNESS OF THE DISTRICT

Constitutional Requirements

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

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

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

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

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the 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 the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

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.

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. (a) Such obligations were authorized or an object or purpose for which the District is not authorized to expend money, or
- (b) If the provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations are authorized in violation of the provisions of the Constitution of New York.

Except on rare occasions, the District complies with this estoppel procedure, and it has done so with respect to each of the bond resolutions under which the BANs are being issued. It has not done so (as its policy) with respect to the tax anticipation note resolution under which the TANs are being issued. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits 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 that such renewals generally do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements," and "Details of Short-Term Indebtedness Outstanding" herein).

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

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

Debt Limit

Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as cash or appropriations for current debt service and State aid for building purposes. The Constitutional and statutory method for determining full valuation consists of dividing the total assessed valuation of taxable real estate 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 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 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 restructuring the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See, however, the discussion under the heading "TAX INFORMATION - Tax Levy Limit Law," herein.

Details of Short-Term Indebtedness Outstanding

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

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
Bond Anticipation Notes	7/21/2011	School Bus Acquisition	\$2,233,250 ¹
Bond Anticipation Notes	6/14/2012	Building Reconstruction	4,460,000
Total			\$6,693,250

Source: District Note Records

Note: ¹ To be redeemed and renewed, in part, with the proceeds of the Notes and \$730,750 of available funds of the District.

Revenue and Tax Anticipation Notes

The District has generally found it necessary and desirable to borrow on an annual basis in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax payments.

The District currently anticipates continued cash flow borrowings in general accord with the pattern outlined in the table below:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Type</u>	<u>Issue Date</u>	<u>% Rate</u>	<u>Due Date</u>
2001-02	\$6,700,000	TAN	7/12/2001	2.69%	6/28/2002
2002-03	6,300,000	TAN	6/27/2002	2.38%	6/27/2003
2003-04	6,500,000	TAN	6/30/2003	1.40%	6/29/2004
2004-05	7,300,000	TAN	7/1/2004	3.00%	6/30/2005
2005-06	7,000,000	TAN	7/7/2005	2.78%	6/29/2006
2006-07	7,000,000	TAN	7/27/2006	4.50%	6/29/2007
2007-08	8,000,000	TAN	7/26/2007	4.00%	6/26/2008
2008-09	9,050,000	TAN	7/24/2008	2.75%	6/25/2009
2009-10	10,000,000	TAN	7/23/2009	1.51%	6/24/2010
2010-11	9,000,000	TAN	7/22/2010	0.91%	6/23/2011

Status of Outstanding Bond Issues

Year of Issue:	2002 ¹	2006A	2006B
Amount Issued	\$39,565,000	\$3,500,000	\$31,300,000
Last Maturity:	5/15/2021	6/15/2026	6/15/2027
Interest Rate/Instrument:	Various - Ref. SB	Various - SB	4.375% - SB
Purpose:	Building	Building	Building
Balance Principal 06/30/10:	\$22,790,000	\$3,015,000	\$28,150,000

Fiscal Year						
Ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$2,470,000	* \$1,069,694	\$140,000	* \$131,906	\$1,150,000	* \$1,231,563
2012	2,595,000	946,194	140,000	125,781	1,200,000	1,181,250
2013	2,700,000	839,150	145,000	119,656	1,250,000	1,128,750
2014	2,265,000	704,150	150,000	113,313	1,300,000	1,074,063
2015	2,390,000	579,575	155,000	106,750	1,365,000	1,017,188
2016	2,500,000	466,050	165,000	99,969	1,425,000	957,469
2017	2,625,000	341,050	175,000	92,750	1,490,000	895,125
2018	1,235,000	209,800	185,000	85,094	1,550,000	829,938
2019	1,285,000	160,400	190,000	77,000	1,620,000	762,125
2020	1,335,000	109,000	200,000	68,688	1,690,000	691,250
2021	1,390,000	55,600	210,000	59,938	1,765,000	617,313
2022			220,000	50,750	1,840,000	540,094
2023			225,000	41,125	1,915,000	459,594
2024			230,000	31,281	2,000,000	375,813
2025			235,000	21,219	2,085,000	288,313
2026			250,000	10,938	2,200,000	197,094
2027					2,305,000	100,844
Totals:	<u>\$22,790,000</u>	<u>\$5,480,663</u>	<u>\$3,015,000</u>	<u>\$1,236,158</u>	<u>\$28,150,000</u>	<u>\$12,347,786</u>

Note: ¹ Bonds originally issued in 1993, 1996 and 2001 were economically defeased with this issue.. The 1996 and 2001 Bonds were called and paid in full by the Escrow Agent on December 1, 2006, and June 1, 2010 respectively.

Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	Total			
	Principal	Interest	Debt Service	% Paid
2011	\$3,760,000	\$2,433,163	\$6,193,163	6.97%
2012	3,935,000	2,253,225	6,188,225	14.26%
2013	4,095,000	2,087,556	6,182,556	21.85%
2014	3,715,000	1,891,526	5,606,526	28.74%
2015	3,910,000	1,703,513	5,613,513	35.98%
2016	4,090,000	1,523,488	5,613,488	43.56%
2017	4,290,000	1,328,925	5,618,925	51.52%
2018	2,970,000	1,124,832	4,094,832	57.02%
2019	3,095,000	999,525	4,094,525	62.76%
2020	3,225,000	868,938	4,093,938	68.73%
2021	3,365,000	732,851	4,097,851	74.97%
2022	2,060,000	590,844	2,650,844	78.79%
2023	2,140,000	500,719	2,640,719	82.75%
2024	2,230,000	407,094	2,637,094	86.89%
2025	2,320,000	309,532	2,629,532	91.19%
2026	2,450,000	208,032	2,658,032	95.73%
2027	2,305,000	100,844	2,405,844	100.00%
Totals:	<u>\$53,955,000</u>	<u>\$19,064,607</u>	<u>\$73,019,607</u>	

Source: District Bond Records

Other Obligations

As of the date of this Official Statement, the District does not have any outstanding installment purchase debt or energy performance contracts.

Trend of Outstanding Debt

	Fiscal Year Ending June 30:				
	2007	2008	2009	2010	2011
Bonds	\$64,535,000	\$60,990,000	\$57,545,000	\$53,955,000	\$50,195,000
Bond Anticipation Notes	3,219,250	3,459,250	5,414,750	6,962,234	5,962,500
Total Debt Outstanding	<u>\$67,754,250</u>	<u>\$64,449,250</u>	<u>\$62,959,750</u>	<u>\$60,917,234</u>	<u>\$56,157,500</u>

Source: Financial Reports and Note and Bond Records of the District

Computation of Debt Limit and Calculation of Net Indebtedness

(As of June 27, 2011)

<u>Town</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Amherst	\$98,076,327	100.00%	\$98,076,327
Clarence	2,463,645,964	100.00%	2,463,645,964
Lancaster	55,689,585	100.00%	55,689,585
Newstead	94,800,035	99.00%	95,757,611
Total (2010-11) ¹	<u>\$2,712,211,911</u>		<u>\$2,713,169,487</u>
Debt Limit: 10% of Full Valuation			\$271,316,949
Inclusions:			
Bonds			\$50,195,000
Refunded Bonds ²			900,000
Bond Anticipation Notes			<u>6,693,250</u>
Total Inclusions:			<u>\$57,788,250</u>
Exclusions:			
Estimated Building Aid ³			<u>\$0</u>
Total Exclusions			\$0
Total Net Indebtedness ⁴			<u>\$57,788,250</u>
Net Debt Contracting Margin			<u>\$213,528,699</u>

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

² Such bonds have been defeased from the proceeds of the refunding bonds held in escrow to pay the remaining balance of principal and interest on such bond issues to either the date of redemption or the date of final maturity. Such bonds are included in the above computation because the State Constitution makes no provision for the exclusion of such debt from the total net indebtedness or the net debt contracting margin of non-city school districts.

³ The calculation of such indebtedness has not taken into account any deductions therefrom of any appointment of state aid for debt service for school district purposes to which the District may be entitled.

⁴ Represents 21.30% of the District's Debt Limit.

Building Aid Estimate

Pursuant to the provision of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. District officials expect to receive the following building aid:

	<u>Assumed Outstanding Principal 06-30-10:</u>	<u>Aid Ratio</u>	<u>Estimated Aid</u>
1993 Serial Bonds \$7,900,000 (Refunded)	\$1,606,410	69.00%	\$1,108,423
1996 Serial Bonds \$20,995,000 (Refunded)	10,186,953	69.00%	7,028,998
2001 Serial Bonds \$18,500,000 (Refunded)	14,678,466	79.00%	11,595,988
2006 Serial Bonds \$3,500,000	3,015,000	79.00%	2,381,850
2006 Serial Bonds \$31,300,000	28,150,000	79.00%	22,238,500
Additional Costs Attributed to Refinancing	<u>101,454</u>	100.00%	<u>101,454</u>
Total:	<u>\$57,738,283</u>		<u>\$44,455,213</u>

Source: District Officials

Notes: As noted above, the District has received and currently receives New York State debt service building aid for a percentage of its outstanding debt.

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 new provisions legislated, among other things, a new "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 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 District will receive in relation to the District's outstanding bonds.

There can be no assurance that the State appropriation for building aid and other State aid to Districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to school districts and municipalities have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011, and can be expected in the future.

Capital Project Plans and Anticipated Future Borrowings

On October 14, 2008 the District voters approved a \$4,900,000 capital project consisting of roof reconstruction and replacement at the District's Middle School and High School, installation of athletic field lighting (and related work) at the High School, and upgrades to athletic fields at the High School. Project construction began in the spring of 2009 and is expected to be completed by the summer of 2011. The District is not contemplating another capital improvements project at this time.

Authorized and Unissued Indebtedness

As of the date of this Official Statement, the District has no authorized but unissued indebtedness.

Direct and Overlapping Indebtedness

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

The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of the political subdivisions located within the District's boundaries. Such taxpayers' share of this overlapping debt is based upon the amount of the District's equalized property values taken as a percentage of each separate units total values. The table below sets forth both the total outstanding principal amount of debt issued by the District and the appropriate magnitude of the burden on taxable property of the 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
County:								
Erie	2010	\$573,732,688	\$236,778,658	\$336,954,030	\$2,713,169,487	\$46,120,909,981	5.88%	\$19,822,102
Towns:								
Amherst	2010	81,494,775	2,012,260	79,482,515	98,076,327	8,214,942,850	1.19%	948,924
Clarence	2010	16,408,300	5,586,900	10,821,400	2,463,645,964	2,966,428,216	83.05%	8,987,272
Lancaster	2010	13,170,000	225,000	12,945,000	55,689,585	2,522,488,072	2.21%	285,790
Newstead	2010	10,968,006	10,203,706	764,300	95,757,611	506,566,128	18.90%	144,478
Total Net Overlapping Debt:								\$30,188,566
Total Net Direct Debt:								57,788,250
Total Overlapping and Direct Debt:								\$87,976,816

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 District's direct and overlapping indebtedness as of June 27, 2011:

	<u>Amount</u>	<u>Debt Per Capita</u> ¹	<u>Debt Full Value</u> ²
Net Direct Debt	\$57,788,250	\$2,076.32	2.13%
Total Direct & Applicable Total Overlapping Debt	87,976,816	3,161.00	3.24%

Notes: ¹ The population of the District is 27,832 according to the 2010 US Census Bureau.

² The full valuation of real property located in the District for the 2011 fiscal year is \$2,713,169,487

FINANCES OF THE DISTRICT

Independent Audit

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2010. A copy of such report is attached hereto as Appendix B. The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the New York 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").

In June, 1999, GASB issued Statement 34, "Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments". This Statement established new financial reporting requirements for state and local governments throughout the United States. When implemented, it required new information and restructured much of the information that governments had presented in the past. The District is in compliance with the requirements of GASB Statement 34.

Investment Policy

The primary objectives of the 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 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 District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, 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 District pursuant to law, in obligations of the 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 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 District is not presently investing in repurchase agreements.

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 New York State and its municipalities and school districts.

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

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a Special Revenue Fund, which is 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 District in a fiduciary capacity.

Basis of Accounting

The 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 District generally records expenditures on the accrual basis when fund liabilities are incurred, except as follows: Interest on general obligation debt which is recorded when it becomes due. Pension costs billed to the 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 school lunch 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.

Budget Process

Annually, pursuant to the Education Law, the District's Board of Education 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 of Education 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. The District's proposed budget for the 2011-12 fiscal year was approved by the voters of the District on May 17, 2011.

Residents of the District who are qualified to vote may participate in the referendum. If, by majority vote, the budget is approved, the Board of Education, by resolution, adopts the budget for the ensuing fiscal year. If the budget is not so approved, the Board may make changes to the budget and re-submit it as revised to the voters for adoption. Alternatively, the Board may, by resolution, adopt an "austerity" budget for the ensuing fiscal year. Such austerity budget must provide for a tax for ordinary contingent expenses of the District, including debt service, in a like manner as if the

same had been voted by the qualified voters. Expenses beyond ordinary contingent expenses may later be added to the budget upon voter approval.

Appropriations established by adoption of the general fund budget constitute a limitation on expenditures (and encumbrances), which may be incurred by the 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 of Education 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.

The Tax Levy Limit Law will have a significant impact on the District's budgeting procedures and (possibly) outcomes, beginning with the District's budget for its 2012-2013 fiscal year. See "TAX INFORMATION - Tax Levy Limit Law," herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See "Tax Information", herein.

State Aid

In addition to the amount of State Aid budgeted by the District, since its 1998-1999 fiscal year, the State has made STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (see "STAR - School Tax Exemption"). The District has received timely STAR Aid from the State for its current fiscal year.

The District is dependent in significant part on financial assistance from the State in the form of State Aid for both operating and capital purposes. In its budgets for the 2010-11 and 2011-12 fiscal years approximately 31.50% and 29.02%, respectively of the revenues of the District are estimated to be received in the form of State aid. In some recent years, the District's receipt of State aid was delayed because the State had been delayed in adopting its budget and appropriating State aid to municipalities and school districts.

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.

State aid to school districts in the State has declined in recent years. 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 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 totaled approximately \$1.4 billion.

During the District's fiscal year ended June 30, 2010, the District's receipt of State aid was delayed as a result of several initiatives adopted by the Governor in response to the State's ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

The State's adopted budget for fiscal year ending March 31, 2012 includes a decrease of \$1.3 billion in State aid to education. The total State aid for the District's 2011-12 fiscal year, excluding building aid, is estimated to total \$15,501,314, which is a 8.30% reduction from the amount of State aid received in the District's 2010-11 operating fiscal year.

The District cannot predict at this time whether there will be any further reductions and/or delays in State aid in future fiscal years. The District believes that it will mitigate the impact of any delays or proposed reductions in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, reducing staffing levels, and/or by any combination of the foregoing. (See also "Noteholder Risks" herein).

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

Expenditures

The major categories of expenditure for the 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.

Employee Pension Benefits

Professional employees (teachers and administrators) are members of the New York State Teachers' Retirement System ("TRS"). Payments to the TRS are generally deducted from State aid payments. All nonprofessional employees of the District eligible for pension or retirement benefits are members of the New York State and Local Employees' Retirement System ("ERS"). 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.

Due to unfavorable capital market returns over recent years, the employer contribution rate for the retirement systems has increased significantly.

For the five years ending June 30, 2006 through 2010 and budgeted for fiscal year 2010-11 and 2011-12, the District's actual and estimated contributions to the ERS and TRS are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>ERS</u>	<u>TRS</u>
Budgeted 2012	\$1,370,000	\$2,380,000
Budgeted 2011	800,000	2,375,000
2010	599,340	1,735,422
2009	647,707	2,045,368
2008	687,707	2,240,743
2007	729,986	2,130,733
2006	727,127	1,885,501

The District's contributions made to the Systems were equal to 100% of the contributions required for each year.

Chapter 49 of the Laws of 2003 changed the cycle of billing to better match budget cycles of the District and other governmental employers. Under the previous method, the District was unsure of how much it would be required to pay to the system until after its budget was implemented. The contribution for a given fiscal year is now based on the value of the pension fund on the prior April 1 instead of the following April 1, so the District is now able to more accurately build the cost of the contribution into its budget. The District is required to 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 recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings, until quite recently. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For the year 2011 ERS contributions will be 16.3% and PFRS will be 21.6% of payroll. The Fund posted a 25.9% return for the fiscal year ended March 31, 2010.

The New York State Teacher's Retirement System (NYSTRS), Administrative Bulletin, Issue No. 2011-1, February 2011, reports that, based on preliminary estimates, the Retirement Board anticipates the Employer Contribution Rate (ECR) for the following year to be 11.11% of member payroll, an increase from the 2010-11 rate of 8.62% . This rate will apply to fiscal year 2011-12 NYSTRS member salaries and will be collected in the fall of 2012. The one-year rate of return on System assets for the fiscal year ending June 30, 2010 was 12.1%.

On December 10, 2009, former Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38 percent for any civilian who retires prior to age 62.
- Requiring employees to continue contributing three percent 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 percent of non-overtime wages.

Members of the NYS Teachers Retirement System will have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5 percent of their annual wages to pension costs rather than 3.0 percent and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the two percent multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, these new pension reforms will apply only to public employees hired after January 1, 2010.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District's employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). 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 UAALs could be substantial in the future, requiring significantly increased contributions

from the 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

It should also be noted that the District provides other post-retirement benefits (“OPEB”) to various categories of former employees. These costs may be expected to rise substantially in the future. The Government Accounting Standards Board Statement 45 (GASB 45), released in July of 2005, established standards for accrual-basis measurement and recognition of other post-retirement benefits, including health-care benefits.

Recently enacted accounting rule, GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement 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.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. 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”) will be 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 contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

The District’s annual required contribution, the percentage of costs contributed and the net OPEB obligation for the past two fiscal years 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>
2010	\$356,456	43.5%	\$401,420
2009	355,314	43.7%	200,139

As of July 1, 2008, the District’s actuarial accrued liability for future benefits was \$3,373,302, all of which is unfunded.

Actuarial valuation will be required every two years for OPEB plans with more than 200 members, every three years if there are less than 200 members.

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

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. This protection from unilateral reduction of benefits has been extended annually. 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.

TAX INFORMATION

Real Property Taxes

The 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 District are prepared by the various towns within the District. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board 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 or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations (however, see the discussion immediately below regarding the Tax Levy Limit Law).

Tax Levy Limit Law

On June 24, 2011, the State Senate and the State Assembly both enacted, and Governor Andrew Cuomo signed (as Chapter 97 of the 2011 Laws of the State), significant and complex legislation relating to real property tax levies, rent regulation, exemption from local taxation and mandate relief (the "Legislation"). Part A of the Legislation amends the General Municipal Law and the Education Law in order to impose a limit upon real property tax levies by local governments (excluding the City of New York and the counties contained therein) and almost all school districts in the State, including the District (the "Tax Levy Limit Law").

The District is subject to the new Legislation, with the Tax Levy Limit Law first applying to the District's budget for its 2012-2013 fiscal year. The Tax Levy Limit Law will restrict, among other things, the amount of real property taxes that may be levied by or on behalf of the District in a particular year. Under the Legislation, the tax levy of the District may not increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in a designated measure of the consumer price index ("CPI") over the amount of the District's prior year's tax levy. The exceptions for a tax levy above two percent or the CPI increase are (i) funds needed to pay judgments arising out of tort actions that exceed 5% of the total tax levied by the District in the prior fiscal year, (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points) and (iii) a capital tax levy. "Capital tax levy" is defined to mean the tax levy necessary to support capital local expenditures by a school district. "Capital local expenditures" means 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 Tax Levy Limit Law also allows for growth in the District's tax levy due to physical and quantitative changes in the District. If the District does not levy an amount up to the cap in any one year, it would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity may not be used to increase its tax levy by more than an additional 1.5 percent above the cap in any single year. If the District's actual tax levy exceeds its authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next budget year.

The Board of Education of the District may propose a budget that requires a tax levy that exceeds the tax levy limit for a given fiscal year, but such proposed budget must then be adopted by the District's voters by at least a 60% supermajority. In the event that the original proposed budget is not approved by the voters, the Board of Education has the option of levying a tax no greater than the tax that was levied for the prior school year or re-submitting the same or a revised budget. If a proposed budget is defeated in the second vote, the Board of Education must adopt a final budget that includes a tax levy no greater than the tax that was levied for the prior school year. In such a situation involving two budget defeats, the Tax Levy Limit Law does not provide for the exclusion of a capital tax levy (or for the other allowed exceptions).

It is reasonably certain that the Legislation will come under legal challenge alleging that the Legislation violates several provisions of Article VIII of the New York State Constitution. Although the Constitution recognizes the power of the State Legislature to restrict local government taxation of property, it also expressly states that “the legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.” Although New York courts (including the State’s highest court—the Court of Appeals) have traditionally been very protective of the rights of the holders of municipal debt obligations, the outcome of any such legal challenge cannot be predicted. In any event, certain special protective procedures and remedies available to holders of school district debt remain in place and are not affected by the Tax Levy Limit Law. See “THE NOTES -- Remedies of Noteholders on Default” herein.

Prospective investors in the Notes are encouraged to consult with their own legal and tax advisors and review the provisions of the Tax Levy Limit Law in its entirety.

Tax Collection Record

	Fiscal Year Ended June 30:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax Levy for All Purposes	\$36,790,615	\$39,275,410	\$37,975,410	\$37,975,410	\$38,414,560
Less STAR Reimbursement	<u>4,514,067</u>	<u>4,570,965</u>	<u>4,421,997</u>	<u>4,456,232</u>	<u>4,489,668</u>
Total Taxes to be Collected	\$32,276,548	\$34,704,445	\$33,553,413	\$33,519,178	\$33,924,892
Taxes Collected Prior to Return to County	<u>31,467,216</u>	<u>33,864,167</u>	<u>32,816,843</u>	<u>32,743,251</u>	<u>33,311,711</u>
Uncollected Returned to County	\$809,332	\$840,278	\$736,570	\$775,927	\$613,181
Percentage Collected Prior to Return	97.49%	97.58%	97.80%	97.69%	98.19%

Source: District Officials

Tax Collection Procedure

School tax payments are due September 15th, payable to October 15th without penalty. A 7.5% penalty is added for taxes paid between October 16th and November 2nd and 9% for taxes paid between November 3rd and November 30th.

Uncollected school taxes are turned over to the Erie County Commissioner of Finance on or about December 1, and the County reimburses the District in full before the end of the fiscal year in which the taxes were levied. The County has the power to issue and sell tax anticipation notes in order to reimburse any uncollected taxes to the District.

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program. Homeowners over 65 years of age with household incomes of \$79,050 or less are eligible for a "full value" exemption for the first \$60,100 of the homeowner’s primary residence from school property taxes in the 2011-12 school year. Other homeowners where the owners 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, new legislation caps STAR savings increases at 2% of the prior year’s savings. The districts typically receive full reimbursement of such exempt taxes from the State by the first business day of January in each year. The details of the STAR exemption formulas are available at: www.orps.state.ny.us/star.

Assessed and Full Valuations

	Fiscal Year Ending June 30:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Valuations:					
Clarence	\$2,110,851,420	\$2,248,581,844	\$2,344,549,743	\$2,422,487,059	\$2,463,645,964
Lancaster	50,999,670	54,072,728	49,050,919	49,283,113	55,689,585
Newstead	74,533,499	89,573,184	90,822,175	92,446,704	94,800,035
Amherst	81,762,809	82,041,194	83,032,467	98,854,830	98,076,327
Total	\$2,318,147,398	\$2,474,268,950	\$2,567,455,304	\$2,663,071,706	\$2,712,211,911
Equalization Rates:					
Clarence	100.00%	100.00%	100.00%	100.00%	100.00%
Lancaster	100.00%	95.00%	93.00%	92.00%	100.00%
Newstead	95.00%	100.00%	100.00%	100.00%	99.00%
Amherst	100.00%	92.00%	92.00%	100.00%	100.00%
Full Valuations:					
Clarence	\$2,110,851,420	\$2,248,581,844	\$2,344,549,743	\$2,422,487,059	\$2,463,645,964
Lancaster	50,999,670	56,918,661	52,742,924	53,568,601	55,689,585
Newstead	78,456,315	89,573,184	90,822,175	92,446,704	95,757,611
Amherst	81,762,809	89,175,211	90,252,682	98,854,830	98,076,327
Total	\$2,322,070,214	\$2,484,248,900	\$2,578,367,523	\$2,667,357,194	\$2,713,169,487
Tax Rate / \$1000 Assessed Value:					
Clarence	\$15.84	\$15.81	\$14.73	\$14.24	\$14.16
Lancaster	15.84	16.64	15.84	15.48	14.16
Newstead	16.68	15.81	14.73	14.24	14.30
Amherst	15.84	17.18	16.01	14.24	14.16

Source: District Officials

Ten Largest Taxpayers

2010-11 Assessment Roll ¹

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
NYS Electric & Gas Corp.	Utility	\$25,469,560
Glenmont MDC Eastern Hills LLC	Shopping Mall	20,018,600
Coventry Green LLC	Commercial	13,500,000
National Fuel Gas Dist. Corp.	Utility	13,479,002
Tennessee Gas Pipeline	Utility	9,068,825
Transitown Plaza Associates	Commercial	7,884,000
Scott's Development Co.	Commercial	7,850,000
Sears Roebuck & Co.	Retail	7,300,000
Verizon	Utility	6,584,506
Stonegate Apartments	Apartments	6,500,000
		<u>\$117,654,493</u>

Note: ¹ Represents 4.34% of the 2010-11 full valuation of \$2,713,169,487 of the District.

LITIGATION

In common with other local governments and school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the 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 District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

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

NOTEHOLDER RISKS

There are various forms of risk associated with investing in the Notes. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies Upon Default", herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential 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 risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the District. In addition, to the extent that the District is dependent on State aid, there can be no assurance that such aid will be continued in the future (see "Finances of the District", herein).

The subprime mortgage crisis and various economic events growing out of it created massive disruptions in the U.S. and global credit and securities markets, and the health of those markets was impaired to the point where significant governmental intervention was deemed necessary. These developments have had significant adverse effects on the finances of New York State, on which the District depends for a significant amount of State aid. The exact impact on the District cannot be predicted, but it has been negative and could persist for a significant period of time. The State faces the prospect of multi-billion dollar deficits for the next several years, and cuts in State aid to school districts and municipalities have been included in the New York State budget for the fiscal year ending March 31, 2012, which was adopted on March 31, 2011 (and are likely in future years).

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State 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 District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

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. 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 capital loss upon the sale of such Note (unless such Note is held to maturity).

Amendments to U.S. Internal Revenue Code of 1986, as amended (the "Code") could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation could have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

TAX EXEMPTION

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing law, the interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, it should be noted that (1) the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes; (2) Section 56 of the Code provides that for purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes) interest on the Notes is taken into account in determining adjusted current earnings; and (3) interest on the Notes earned by foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP noted that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the tax certificates (or similar documentation) that will be executed and delivered by the District in connection with the issuance of the Notes (collectively the "Tax Certificates") establish requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

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

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

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

The interest on the Notes is subject to, among others, the following provisions contained in the Code:

- (1) Interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Notes is includable in the "adjusted current earnings" of any corporate owner of the Notes and 75% of the interest on the Notes is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax imposed on corporations by the Code.
- (2) If the Notes are held by certain foreign corporations doing business in the United States, the interest on the Notes will be included in "effectively connected earnings and profits" for purposes of computing a branch profits tax of up to 30%.
- (3) A property casualty insurance company's deduction for the losses incurred will be reduced by 15% of the income received from tax-exempt obligations.
- (4) The United States Treasury Department has promulgated regulations which might have the effect of imposing a

tax at ordinary income rates with respect to interest on the Notes owned by "S Corporations" in certain cases.

- (5) In addition, the Notes will constitute "qualified tax-exempt obligations" within the meaning of the Code, and if the Notes are held by a financial institution, a portion of the interest expense allocable to Notes will be deductible for federal income tax purposes.

Under the Code, the benefits of the exclusion of the interest on the Notes from gross income for federal income tax purposes may be diminished by operation of certain provisions of the Code which affect recipients of Social Security and railroad retirement benefits.

Amendments to Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation could have an adverse effect on the market value of the Notes.

Each purchaser of the Notes should consult his or her tax advisor regarding the impact of the foregoing and other provisions of the Code on his or her individual tax position.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

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

Legal Matters

The legality of the authorization and issuance of the Notes will be covered by the legal opinions of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York. Such legal opinions will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the District, without limitation as to rate or amount (subject to certain recently-enacted statutory limitations imposed by the Tax Levy Limit Law), provided, however, that the enforceability (but not the validity) of the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles, (ii) assuming that the District complies with certain requirements of the Code, interest on the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) assuming that the District complies with certain requirements of the Code, interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinions also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the District to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy

and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to rendering the opinions expressed therein, (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Notes as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE UNDERTAKINGS

In accordance with the provisions of 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") pursuant to the Securities Exchange Act of 1934, the 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 a particular issue of Notes is outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes that comprise such issue:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of Noteholders, if material;
- (h) note calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the District;
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities.

The 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 District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

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

The District acknowledges that its undertakings pursuant to the Rule described under this heading are intended to be for the benefit of the holders of the particular series of Notes (including holders of beneficial interests in such Notes). The right of holders of particular Notes to enforce the provisions of a particular undertaking will be limited to a right to obtain specific enforcement of the District's obligations under the applicable undertaking and any failure by the District to comply with the provisions of such undertaking will neither be a default with respect to the Notes involved nor entitle any holder of such Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

Annual information and notices of material events can be obtained from the Clarence Central School District, 9625 Main Street, Clarence, New York 14031, telephone: 716-407-9102.

Separate "Undertakings to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) of the BANs and the TANs, respectively, at closing.

The District is in compliance with all prior undertakings pursuant to the Rule.

RATING

The District has not applied for a rating on the Notes. Moody's Investors Service currently rates the outstanding long-term debt of the District "Aa2". Moody's recalibrated its rating for all New York State local municipalities and school districts. According to Moody's, this action was a "recalibration of the ratings to a different rating scale" from a municipal ratings scale to a global rating scale. "This recalibration does not reflect an improvement in credit quality or a change in (Moody's) credit opinion for rated municipal debt issuers." Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from such rating agency as follows: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, Public Finance Group, 23rd Floor, New York, New York 10007, (215) 553-0300. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in its judgment circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

FINANCIAL ADVISOR

Municipal Solutions, Inc. has assisted the District as financial advisor in certain matters with respect to the sale and issuance of the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from the business office of the District: 9625 Main St., Clarence, NY 14031, telephone 716-407-9100, or from Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, NY 14424, telephone 585-394-4090, website: 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 District and the original purchasers or holders of the Notes.

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

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 District’s management’s beliefs as well as assumptions made by, and information available to, the 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 District files with the repositories. When used in 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 District nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Municipal Solutions, Inc., and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website.

Municipal Solutions, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

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

CLARENCE CENTRAL SCHOOL DISTRICT

June 27, 2011
Clarence, New York

By: s/s Richard J. Mancuso
School Business Administrator and District Clerk

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 – Clarence CSD

	Fiscal Year Ending June 30:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:					
Real Property Taxes	\$29,775,400	\$32,591,005	\$35,071,066	\$34,057,875	\$34,081,895
Real Property Tax Items	4,185,134	4,206,430	4,223,904	3,944,931	3,913,936
Non-Property Tax Items	4,116,574	4,281,944	4,691,368	4,731,612	4,759,306
Charges for Services	301,119	271,743	324,847	331,587	372,341
Use of Money and Property	1,035,475	2,440,034	1,169,382	498,263	230,397
Sale of Property & Comp. for Loss	46,954	424,880	28,850	26,728	31,738
Miscellaneous	264,667	196,882	376,396	260,998	305,806
State Sources	16,832,530	18,451,457	19,932,023	26,051,672	20,803,055
Federal Aid	230,833	195,641	190,346	249,833	3,520,035
Total Revenues	<u>\$56,788,686</u>	<u>\$63,060,016</u>	<u>\$66,008,182</u>	<u>\$70,153,499</u>	<u>\$68,018,509</u>
Expenditures:					
General Support	\$6,120,381	\$6,722,339	\$6,592,185	\$6,692,550	\$6,615,345
Instruction	31,344,550	33,187,457	34,506,508	36,415,472	37,384,214
Pupil Transportation	2,955,016	3,052,356	3,226,223	3,185,993	3,406,143
Community Service	5,411	4,997	640	2,215	3,210
Employee Benefits	10,308,561	11,299,260	11,981,020	12,360,676	12,437,780
Debt Service	4,709,545	6,576,971	7,580,848	7,485,361	7,470,610
Subtotal: Expenditures	<u>\$55,443,464</u>	<u>\$60,843,380</u>	<u>\$63,887,424</u>	<u>\$66,142,267</u>	<u>\$67,317,302</u>
Other Uses: Operating Transfers	988,202	0	(13,947)	(14,662)	0
Total Expenditures & Other Uses	<u>\$56,431,666</u>	<u>\$60,843,380</u>	<u>\$63,873,477</u>	<u>\$66,127,605</u>	<u>\$67,317,302</u>
Excess (Deficit) Revenues					
Over Expenditures	\$357,020	\$2,216,636	\$2,134,705	\$4,025,894	\$701,207
Net Adjustments to Fund Balances	0	0	0	0	0
Fund Balances Beg. of Fiscal Year	6,649,339	7,006,359	9,222,995	11,357,700	15,383,594
Fund Balances End of Fiscal Year	<u>\$7,006,359</u>	<u>\$9,222,995</u>	<u>\$11,357,700</u>	<u>\$15,383,594</u>	<u>\$16,084,801</u>

Source: Audited Annual Financial Reports of the District.

Note: This table NOT audited

Balance Sheet
General Fund – Clarence CSD
Fiscal Year Ended June 30, 2010

<hr/>	
Assets:	
Cash	\$12,498,726
Due from Other Funds	1,758,637
State and Federal Aid Receivable	3,232,267
Due from Other Governments	2,346,121
Total Assets:	<u>\$19,835,751</u>
Liabilities:	
Accounts Payable	\$1,048,179
Accrued Liabilities	462,317
Due to Retirement Systems	2,240,454
Due to Other Funds	0
Total Liabilities:	<u>\$3,750,950</u>
Fund Balances:	
Reserved:	
Encumbrances	\$2,523,096
Tax Certiorari	855,851
Debt	1,739,314
Employee Benefit Accrued Liability	833,038
Unreserved:	
Designated	5,000,000
Undesignated	5,133,502
Total Fund Balances:	<u>\$16,084,801</u>
Total Liabilities and Fund Balances:	<u>\$19,835,751</u>
<hr/>	

Source: Audited Annual Financial Report of the District

Note: This table NOT audited

Budget Summaries
General Fund - Clarence CSD

	Fiscal Year Ending June 30:	
	<u>2011</u>	<u>2012</u>
Revenues:		
Real Property Taxes	\$38,414,560	\$39,492,090
Other Revenue	6,040,280	5,650,000
State Aid	22,740,000	20,500,000
Appropriation of Fund Balance	5,000,000	5,000,000
Total Revenues	<u>\$72,194,840</u>	<u>\$70,642,090</u>
Expenditures:		
General Support	\$9,662,245	\$9,531,970
Instruction	36,460,575	34,640,620
Pupil Transportation	3,710,270	3,472,000
Community Services	1,000	0
Employee Benefits	14,422,500	15,060,500
Debt Service	7,938,250	7,937,000
Total Expenditures	<u>\$72,194,840</u>	<u>\$70,642,090</u>

Source: Adopted Budgets of the District

Note: This table NOT audited

CLARENCE CENTRAL SCHOOL DISTRICT

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE 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.

S.

**CLARENCE CENTRAL
SCHOOL DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2010

CLARENCE CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Clarence Central School District
Clarence, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of Clarence Central School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lumsden & McCormick, LLP

October 4, 2010

CLARENCE CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2010
(Unaudited)

Introduction

Management's Discussion and Analysis (MD&A) of Clarence Central School District (the District) provides an overview of the District's financial performance and activities for the year ended June 30, 2010. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's basic financial statements which follow. This MD&A, the basic financial statements and notes thereto are essential to a full understanding of the District's financial position and results of operations. The District's basic financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) agency fund statements; and (5) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities and the difference between the two is reported as net assets. The statement of activities and changes in net assets presents information showing how the District's net assets change during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the District. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by the New York State Department of Education.

<u>Condensed Statement of Net Assets</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 24,508,000	\$ 22,644,000
Capital assets	78,008,000	80,441,000
Total assets	<u>102,516,000</u>	<u>103,085,000</u>
Long-term liabilities outstanding	58,159,000	61,625,000
Other liabilities	11,296,000	9,944,000
Total liabilities	<u>69,455,000</u>	<u>71,569,000</u>
Net assets:		
Invested in capital assets, net of related debt	20,532,000	19,698,000
Restricted	2,572,000	2,524,000
Unrestricted	9,957,000	9,294,000
Total net assets	<u>\$ 33,061,000</u>	<u>\$ 31,516,000</u>

Assets exceeded liabilities by \$33,061,000 at June 30, 2010 (\$31,516,000 in 2009). The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, equipment and vehicles); less any related debt (general obligation bonds and bond anticipation notes (BANs)) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets is governed by the District's long term capital plan which seeks to maintain the facilities in a safe and efficient manner.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. These assets include reserve accounts set aside for specific purposes governed by statutory law and commissioner's regulations. Examples of these reserves include the debt service reserve, which is set aside for the repayment of bonds issued to finance capital projects, and amounts restricted to pay future compensated absences under the District's employee benefit accrued liability reserve.

Current and other assets increased by \$1,864,000 or 8.2% (\$2,983,000 or 15.2% in 2009). These balances consist of cash and receivables from other governments and third parties. The changes in individual account balances reflect timing of cash flows and the solid results from current year operations and resulted in lower cash balances between years and higher receivable balances principally from federal and state agencies. This was caused by a funding shift in federal support coupled with delays in New York State making required aid payments. The decrease in total liabilities is due to \$3,590,000 in principal payments on the District's bonds which were offset by an increase in the BANs payable of \$1,547,000. The BANs are used to provide interim financing for the District's roof project.

Condensed Statement of Activities	2010	2009
Revenues		
Program revenues		
Charges for services and sales	\$ 1,208,000	\$ 1,169,000
Operating grants and contributions	6,273,000	2,159,000
Capital grants and contributions	364,000	-
General revenues		
Taxes and related items	37,996,000	38,003,000
Sales taxes	4,746,000	4,721,000
State aid	20,803,000	26,052,000
Interest and other	552,000	719,000
Total revenue	<u>71,942,000</u>	<u>72,823,000</u>
Program expenses		
Instruction	53,586,000	51,380,000
Support services:		
General support	7,907,000	7,821,000
Pupil transportation	4,853,000	4,396,000
Food service	1,201,000	1,160,000
Interest and other	2,850,000	3,008,000
Total expenses	<u>70,397,000</u>	<u>67,765,000</u>
Increase in net assets	1,545,000	5,058,000
Net assets-beginning	31,516,000	26,458,000
Net assets-ending	<u>\$ 33,061,000</u>	<u>\$ 31,516,000</u>

District revenues decreased by approximately \$881,000 or 1.2% compared to an increase of \$4,157,000 or 6.1% in 2009. State aid received for instruction programs decreased by \$5,249,000 or 20.1% (an increase of \$6,119,000 or 30.7% in 2009) as result of New York State budget cuts. The impact of the state aid decrease was offset by an increase in operating grants and contributions of \$4,114,000 or 190.6% due to the receipt of \$3,975,000 in federal funds through the American Reinvestment and Recovery Act (ARRA). The District also received additional state aid in the amount of \$364,000 to be used towards capital project expenditures.

Program expenses increased by \$2,632,000 or 3.9% (\$3,115,000 or 4.8% in 2009). The most significant increase occurred in instruction expense, which includes teaching related expenses, including salaries, curriculum development, programs for children with disabilities, instructional media, pupil services and allocated employee benefits. Instruction expense increased by \$2,206,000 or 4.3% (\$3,537,000 or 7.4% in 2009). On an overall basis, total payroll increased by \$1,427,000 or 3.9% over 2009 and is principally the cause for increased instructional expenses in 2010. The remaining expense categories were relatively consistent with the prior year.

Financial Analysis of the District's Funds

Total fund balances for the government funds increased from \$12,188,000 to \$12,668,000 as further described below:

- Spending across all government funds increased by \$2,355,000 or 3.4% over 2009 (\$3,911,000 or 5.3% in 2009). The capital projects fund decreased by \$211,000 as a result of capital project expenditures increasing by \$342,000 from 2009. The School lunch fund balance remained consistent; therefore the modest increase in governmental fund balances can be contributed to activity in the capital projects fund principally due to a roof renovation project in 2010 offset by solid results in the general fund (\$701,000 increase).
- As discussed in the government-wide analysis, federal ARRA funds of \$3,975,000 offset the decline in State aid of \$4,951,000.
- Revenue received from real property taxes and related items remained consistent with 2009 with a slight increase of \$7,000 (a decrease of \$1,292,000 or 3.3% in 2009).
- A decrease in use of money and property was the result of a \$270,000 or 53.9% decrease in interest earnings (\$672,000 or 58.2%) due to falling interest rates on bank deposits.
- On an overall basis, the increase in governmental fund balances principally results from careful spending and making appropriation cuts wherever necessary to offset anticipated declines in revenue.

General Fund Budgetary Highlights

The total original revenue budget for 2010 was \$66,396,000. There were no adjustments to the revenue budget in 2010. Actual revenue was over budget by \$1,623,000 or 2.4% in 2010. The most significant area where actual amounts exceeded budget was in federal aid sources. This favorable variance was offset by a decrease in state aid of \$1,673,000 from amounts budgeted.

Actual expenditures (and carryover encumbrances) were less than the final amended budget by \$1,768,000 or 2.5%. The largest fluctuations were in central services and programs for children with handicapping conditions. Overall, the fluctuations between budgeted and actual expenditures are due to conservative budgeting and a conscious effort to manage expenses.

At the time the 2010 general fund budget was prepared, there was much uncertainty in the economy and the effect of inflation. Transportation charges were expected to be much higher due to fuel pricing at the time and similarly, utility costs included in general support were expected to rise. We anticipated higher employee benefit costs including the amount to be funded to the state's retirement plans.

Capital Assets

	2010	2009
Land and land improvements	\$ 4,509,000	\$ 4,509,000
Construction in progress	1,579,000	356,000
Buildings and improvements	95,614,000	95,614,000
Furniture and fixtures	12,772,000	12,771,000
Vehicles	8,152,000	8,772,000
	<u>122,626,000</u>	<u>122,022,000</u>
Accumulated depreciation	(44,618,000)	(41,581,000)
	<u>\$ 78,008,000</u>	<u>\$ 80,441,000</u>

Capital asset additions of \$1,816,000 were offset by depreciation and disposals of \$4,249,000. Capital asset additions were predominately comprised of \$1,563,000 in construction costs for the roof renovation project.

Debt

At June 30, 2010 the District had \$53,955,000 in bonds outstanding, with \$3,760,000 due within one year (\$57,545,000 outstanding in 2009). Outstanding compensated absences payable were \$3,803,000 (\$3,880,000 in 2009) with \$1,069,000 due within the next year.

Factors Bearing on the District's Future

- New York State's financial situation will dictate the level of local funding needed to sustain current programs.
- From 1986 to 2008, the District had averaged over 100 new students per year. The current enrollment of just over 5,000 students is predicted to remain consistent over the next few years. Certainly the economy and, in particular, the local housing market will have an effect on enrollment.
- Economic conditions of Erie County and specifically Clarence, New York will affect future growth.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances. It should only be used in conjunction with a thorough review of the District's audited financial statements. If you have any questions about this report or need additional information, contact Mr. Richard J. Mancuso, Business Administrator - Clarence Schools, 9625 Main Street, Clarence, New York 14031; phone number 716-407-9011.

CLARENCE CENTRAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

(with comparative totals as of June 30, 2009)

	2010	2009
Assets		
Cash and cash equivalents	\$ 16,543,055	\$ 18,741,880
Due from other governments	2,913,121	2,431,209
State and federal aid receivable	4,811,016	1,228,231
Due from fiduciary funds	6,616	-
Inventory	30,594	20,131
Bond issuance costs, net	203,659	222,174
Capital assets (Note 5)	122,625,608	122,021,425
Accumulated depreciation	(44,618,064)	(41,580,557)
Total assets	102,515,605	103,084,493
Liabilities		
Accounts payable	1,394,025	1,257,129
Accrued liabilities	688,417	709,643
Due to retirement systems	2,240,454	2,487,818
Due to fiduciary funds	-	72,669
Deferred revenue	9,906	2,096
Bond anticipation notes	6,962,234	5,414,750
Long-term liabilities		
Due within one year		
Bonds	3,760,000	3,590,000
Compensated absences	1,069,000	894,000
Due beyond one year		
Bonds	50,195,000	53,955,000
Compensated absences	2,734,000	2,986,000
Other postemployment benefits	401,420	200,139
Total liabilities	69,454,456	71,569,244
Net Assets		
Invested in capital assets, net of related debt	20,531,661	19,698,426
Restricted for debt and employee benefits	2,572,352	2,523,490
Unrestricted	9,957,136	9,293,333
Total net assets	\$ 33,061,149	\$ 31,515,249

See accompanying notes.

CLARENCE CENTRAL SCHOOL DISTRICT

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2010

(with summarized comparative totals for June 30, 2009)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2010	2009
Governmental activities						
General support	\$ 7,907,195	\$ 2,955	\$ -	\$ -	\$ (7,904,240)	\$ (7,820,621)
Instruction	53,585,412	372,341	5,901,263	364,266	(46,947,542)	(49,213,145)
Pupil transportation	4,852,861	13,151	-	-	(4,839,710)	(4,381,087)
Community service	3,210	-	-	-	(3,210)	(2,215)
Interest expense	2,846,575	-	-	-	(2,846,575)	(3,005,677)
School food service	1,201,427	819,166	371,768	-	(10,493)	(14,324)
	<u>\$ 70,396,680</u>	<u>\$ 1,207,613</u>	<u>\$ 6,273,031</u>	<u>\$ 364,266</u>	<u>(62,551,770)</u>	<u>(64,437,069)</u>
General revenues						
					37,995,831	38,002,806
					4,746,306	4,721,612
					214,934	485,455
					31,738	(27,693)
					305,806	260,998
					20,803,055	26,051,672
					<u>64,097,670</u>	<u>69,494,850</u>
					Change in net assets	1,545,900 5,057,781
					Net assets - beginning	31,515,249 26,457,468
					<u>Net assets - ending</u>	<u>\$ 33,061,149</u> <u>\$ 31,515,249</u>

CLARENCE CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2010

(with summarized comparative totals as of June 30, 2009)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2010	2009
Assets						
Cash and cash equivalents	\$ 12,498,726	\$ 3,253,116	\$ 419,466	\$ 371,747	\$ 16,543,055	\$ 18,741,880
Due from other governments	2,346,121	-	-	-	2,346,121	1,851,209
State and federal aid receivable	3,232,267	-	1,548,283	30,466	4,811,016	1,228,231
Due from other funds, net	1,758,637	-	-	-	1,758,637	521,795
Inventory	-	-	-	30,594	30,594	20,131
Total assets	\$ 19,835,751	\$ 3,253,116	\$ 1,967,749	\$ 432,807	\$ 25,489,423	\$ 22,363,246
Liabilities and Fund Balances						
Accounts payable	\$ 1,048,179	\$ 15,424	\$ 219,371	\$ 111,051	\$ 1,394,025	\$ 1,257,129
Accrued liabilities	462,317	-	-	-	462,317	419,243
Due to retirement systems	2,240,454	-	-	-	2,240,454	2,487,818
Due to other funds, net	-	3,643	1,748,378	-	1,752,021	594,464
Deferred revenue	-	-	-	9,906	9,906	2,096
Bond anticipation notes	-	6,962,234	-	-	6,962,234	5,414,750
Total liabilities	3,750,950	6,981,301	1,967,749	120,957	12,820,957	10,175,500
Fund Balances						
Reserved for:						
Encumbrances	2,523,096	-	-	-	2,523,096	1,412,144
Debt service	1,739,314	-	-	-	1,739,314	1,700,990
Inventory	-	-	-	30,594	30,594	20,131
Employee benefit accrued liability	833,038	-	-	-	833,038	822,500
Tax certiorari	855,851	-	-	-	855,851	563,325
Unreserved:						
Designated for subsequent year's expenditures	5,000,000	-	-	-	5,000,000	3,800,000
Undesignated	5,133,502	(3,728,185)	-	281,256	1,686,573	3,868,656
Total fund balances (deficit)	16,084,801	(3,728,185)	-	311,850	12,668,466	12,187,746
Total liabilities and fund balances	\$ 19,835,751	\$ 3,253,116	\$ 1,967,749	\$ 432,807	\$ 25,489,423	\$ 22,363,246

CLARENCE CENTRAL SCHOOL DISTRICT

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**

June 30, 2010

Total fund balances - governmental funds \$ 12,668,466

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 78,007,544

Sales tax collected after the period of availability to pay current period expenditures is not recognized in the governmental funds until received. 567,000

Costs associated with the issuance of bonds are capitalized in the statement of net assets and are expensed in the governmental funds in the year the bonds are issued. The net balance at June 30 is: 203,659

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Bonds	(53,955,000)	
Accrued interest	(226,100)	
Compensated absences	(3,803,000)	
Other postemployment benefits	(401,420)	(58,385,520)

Net assets - governmental activities \$ 33,061,149

CLARENCE CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2010

(with summarized comparative totals for June 30, 2009)

	General	Capital Projects	Special Aid	School Lunch	Total Governmental Funds	
					2010	2009
Revenues						
Real property taxes	\$ 34,081,895	\$ -	\$ -	\$ -	\$ 34,081,895	\$ 34,057,875
Real property tax items	3,913,936	-	-	-	3,913,936	3,944,931
Nonproperty taxes	4,759,306	-	-	-	4,759,306	4,731,612
Charges for services	372,341	-	-	-	372,341	331,587
Use of money and property	230,397	-	-	643	231,040	500,754
Sale of property and compensation for loss	31,738	-	-	-	31,738	26,728
Miscellaneous	305,806	-	37,985	231	344,022	265,997
State sources	20,803,055	364,266	435,797	28,801	21,631,919	26,582,888
Federal sources	3,520,035	-	1,907,446	342,736	5,770,217	1,622,525
Sales	-	-	-	819,166	819,166	821,973
Total revenues	68,018,509	364,266	2,381,228	1,191,577	71,955,580	72,886,870
Expenditures						
General support	6,615,345	-	-	1,066,442	7,681,787	7,727,485
Instruction	37,384,214	-	2,334,763	-	39,718,977	37,849,417
Pupil transportation	3,406,143	-	46,465	-	3,452,608	3,337,294
Community service	3,210	-	-	-	3,210	2,215
Employee benefits	12,437,780	-	-	-	12,437,780	12,360,676
Debt service						
Principal	4,578,250	-	-	-	4,578,250	4,434,500
Interest	2,892,360	-	-	-	2,892,360	3,050,861
Cost of sales	-	-	-	134,985	134,985	125,023
Capital outlay	-	1,563,153	-	-	1,563,153	1,220,643
Total expenditures	67,317,302	1,563,153	2,381,228	1,201,427	72,463,110	70,108,114
Excess revenues (expenditures)	701,207	(1,198,887)	-	(9,850)	(507,530)	2,778,756
Other financing sources						
BANs redeemed from appropriations	-	988,250	-	-	988,250	989,500
Net change in fund balances	701,207	(210,637)	-	(9,850)	480,720	3,768,256
Fund balances (deficit) - beginning	15,383,594	(3,517,548)	-	321,700	12,187,746	8,419,490
Fund balances (deficit) - ending	\$ 16,084,801	\$ (3,728,185)	\$ -	\$ 311,850	\$ 12,668,466	\$ 12,187,746

See accompanying notes.

CLARENCE CENTRAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities and Changes in Net Assets

For the year ended June 30, 2010

Total net change in fund balances - governmental funds		\$ 480,720
Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays.		(2,433,324)
Payments of long-term liabilities are reported as expenditures in the governmental funds and as reductions of debt in the statement of net assets.		3,590,000
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid.		
These differences are:		
Amortization of bond issuance costs	(18,515)	
Interest	64,300	
Compensated absences	77,000	
Other postemployment benefits	<u>(201,281)</u>	(78,496)
Local sales taxes will not be collected until several months after the District's year end, and are not considered available or recognized in the governmental funds until received. This amount is the difference between sales tax receivable in the beginning and end of year accruals.		<u>(13,000)</u>
Change in net assets - governmental activities		\$ 1,545,900

CLARENCE CENTRAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Encumbrances	Variance with
	Original	Final	(Budgetary Basis)		Final Budget Over/(Under)
Revenues					
Local sources					
Real property taxes	\$ 34,072,202	\$ 34,072,202	\$ 34,081,895		\$ 9,693
Real property tax items	3,905,208	3,905,208	3,913,936		8,728
Nonproperty taxes	4,998,000	4,998,000	4,759,306		(238,694)
Charges for services	181,080	181,080	372,341		191,261
Use of money and property	500,000	500,000	230,397		(269,603)
Sale of property and compensation for loss	12,300	12,300	31,738		19,438
Miscellaneous	190,700	190,700	305,806		115,106
State sources	22,476,265	22,476,265	20,803,055		(1,673,210)
Federal sources	60,000	60,000	3,520,035		3,460,035
Total revenues	66,395,755	66,395,755	68,018,509		1,622,754
Expenditures					
General Support					
Board of education	13,595	30,595	29,046	135	(1,414)
Central administration	266,016	278,016	276,956	238	(822)
Finance	578,069	594,069	579,476	9,672	(4,921)
Staff	429,876	437,876	386,484	649	(50,743)
Central services	5,463,679	5,127,878	4,555,983	218,835	(353,060)
Special items	768,875	827,875	787,400	200	(40,275)
Instruction					
Instruction, administration and improvement	2,119,629	2,265,601	2,068,041	25,855	(171,705)
Teaching - regular school	26,115,548	27,554,813	25,831,934	1,696,858	(26,021)
Programs for children with handicapping conditions	5,812,589	5,762,042	5,409,366	42,086	(310,590)
Occupational education	721,000	721,000	720,635	-	(365)
Teaching - special schools	475,510	475,510	311,260	132,350	(31,900)
Instructional media	1,173,072	1,190,269	984,438	76,234	(129,597)
Pupil services	2,123,672	2,154,016	2,058,540	24,566	(70,910)
Pupil transportation	3,965,019	3,965,019	3,406,143	295,418	(263,458)
Community services	1,000	3,900	3,210	-	(690)
Employee benefits	13,842,500	12,591,500	12,437,780	-	(153,720)
Debt service					
Principal	4,578,250	4,578,250	4,578,250	-	-
Interest	3,160,000	3,049,670	2,892,360	-	(157,310)
Total expenditures	71,607,899	71,607,899	67,317,302	2,523,096	(1,767,501)
Excess revenues (expenditures)	(5,212,144)	(5,212,144)	701,207	(2,523,096)	3,390,255
Other financing sources					
Appropriated fund balance and carryover encumbrances	5,212,144	5,212,144	-		(5,212,144)
Change in fund balance	-	-	701,207	\$ (2,523,096)	\$ (1,821,889)
Fund balance - beginning	15,383,594	15,383,594	15,383,594		
Fund balance - ending	\$ 10,171,450	\$ 10,171,450	\$ 16,084,801		

See accompanying notes.

CLARENCE CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

June 30, 2010

	<u>Private-Purpose Trusts</u>	<u>Agency</u>
Assets		
Cash and cash equivalents	\$ 107,267	\$ 371,067
Liabilities		
Extraclassroom activities balances	-	\$ 113,861
Due to governmental funds	-	6,616
Other agency liabilities	-	250,590
Total liabilities	<u>-</u>	<u>\$ 371,067</u>
Net Assets		
Reserved for scholarships	<u>\$ 107,267</u>	

CLARENCE CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

For the year ended June 30, 2010

	<u>Private-Purpose Trusts</u>
Additions	
Gifts and contributions	\$ 16,568
Interest income	468
	<u>17,036</u>
Deductions	
Scholarship awards	<u>10,492</u>
Change in net assets	6,544
Net assets - beginning	<u>100,723</u>
Net assets - ending	<u>\$ 107,267</u>

CLARENCE CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Clarence Central School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 as amended by Statement No. 39.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 20 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

A BOCES' budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may issue debt on behalf of BOCES. As of year end there was no debt issued by the District.

During the year ended June 30, 2010, the District was billed \$3,673,000 for BOCES administrative and program costs and recognized \$199,000 in revenue as a refund from prior year expenditures paid to BOCES and \$69,000 in rental income. Audited financial statements are available from BOCES' administrative offices.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities and changes in net assets display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities and changes in net assets presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to report financial resources used for the acquisition, construction, or renovation of major capital facilities or equipment.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources - other than expendable trusts or major capital projects - such as federal, state, and local grants and awards that are restricted to expenditure for specific purposes. Either governments or other third parties providing the funds impose these restrictions.

The District also elected to display the following as a major fund:

- *School lunch fund.* This fund is used to account for the activity of the District's breakfast and lunch programs including free and reduced meal subsidies received from state and federal sources.

The District reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.

- *Agency fund.* This fund accounts for assets held by the District as agent for various student groups and clubs or payroll and other employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The basic financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value directly without giving equal value in exchange, include property and sales taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are deferred and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Tax Calendar

The District levies real property taxes no later than September 1. For the year ended June 30, 2010, the tax lien was issued on August 24, 2009 for collection from September 15, 2009 through November 30, 2009. Thereafter, uncollected amounts became the responsibility of Erie County. Such amounts are submitted to the District by April 1st of the following year as required by law.

Budget Process, Amendments and Transfers

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting except that encumbrances are reported as a budgetary expenditure in the year of incurrence of the commitment for the purchase as well as when the expenditure is paid in the subsequent year. All unencumbered appropriations lapse at the end of the fiscal year. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. 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 new revenue sources not included in the original budget.

Capital project funds are subject to individual project expenditures determined primarily by the cost of the project together with the requirements for external borrowings used to fund a particular project rather than annual appropriations. These budgets do not lapse at year end and are carried over to the completion of the project.

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2009 was approved by a majority of the voters in a general election held on May 19, 2009.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is used in the governmental funds. Outstanding encumbrances at year end, exclusive of grant related commitments are presented for GAAP related purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Inventory

Inventory consists of food and similar food service goods and is recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Land improvements	\$500	20
Buildings and improvements	\$500	20-40
Furniture and fixtures	\$500	5-20
Vehicles	\$500	8-15

Other Assets

Bond issuance costs are recognized in the period bonds are issued in the governmental funds. Within the government-wide financial statements, bond issuance costs are capitalized and amortized on a straight-line basis over the life of the debt issue as a component of interest expense.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at various amounts at retirement.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources. These amounts are expensed as paid.

Equity Classifications

Government-wide statements

- *Invested in capital assets, net of related debt* – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District's bonds.
- *Unrestricted net assets* – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis and applies unrestricted resources first, if permissible by law.

Governmental fund statements

Reservations of fund balances are created to satisfy legal restrictions, plan for future expenditures, or represent resources not available for use or appropriation for expenditure. Reserves are established through Board action or may require voter approval. Earnings on invested resources are required to be added to the various reserves. A designation of unreserved fund balances indicates the planned use of these resources in the subsequent year's budget. Fund balance reservations consist of the following:

- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of finance law. The District has elected to display the reserve in the general fund since there is no external requirement to maintain a debt service fund. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Inventory* – is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of the employee's services. It is established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- *Tax certiorari* – is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of the monies.

Interfund Transfers

The operations of the District include transactions between funds. The District typically provides resources between funds for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Stewardship and Compliance

The District's unreserved undesignated fund balance in the general fund was in excess of the 4% limit of the subsequent year's budget as required under New York State Real Property Tax Law Section 1318.

The capital projects deficit fund balance of \$3,728,185 will be funded when bond anticipation notes are redeemed from subsequent budget appropriations or converted to permanent financing.

3. Cash and Investments

Investment policies are governed by State laws and as established in the District's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits 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.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. At June 30, 2010, the District's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust departments through a perfected security interest in the pledged assets.

Restricted cash represents cash and cash equivalents whose use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes and amounted to \$6,681,319 as of June 30, 2010.

4. Interfund Transactions – fund financial statements

Fund	Receivable	Payable
General	\$ 1,759,079	\$ 442
Special aid	442	1,748,820
Capital projects	-	3,643
Fiduciary	-	6,616
	\$ 1,759,521	\$ 1,759,521

The general fund provides resources to the special aid and capital projects funds for interim cash flow throughout the year. These amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved.

5. Capital Assets

	July 1, 2009	Increases	Retirements/ Reclassifications	June 30, 2010
Capital assets not being depreciated:				
Land	\$ 1,980,863	\$ -	\$ -	\$ 1,980,863
Construction in progress	356,295	1,563,153	(341,123)	1,578,325
	<u>2,337,158</u>	<u>1,563,153</u>	<u>(341,123)</u>	<u>3,559,188</u>
Capital assets being depreciated:				
Land improvements	2,528,155	-	-	2,528,155
Buildings and improvements	95,614,319	-	-	95,614,319
Furniture and fixtures	12,770,728	253,188	(251,598)	12,772,318
Vehicles	8,771,065	-	(619,437)	8,151,628
Total depreciated assets	<u>119,684,267</u>	<u>253,188</u>	<u>(871,035)</u>	<u>119,066,420</u>
Less accumulated depreciation:				
Land improvements	1,969,351	121,324	-	2,090,675
Buildings and improvements	24,326,570	2,394,828	-	26,721,398
Furniture and fixtures	10,526,091	699,638	(561,990)	10,663,739
Vehicles	4,758,545	776,186	(392,479)	5,142,252
Total accumulated depreciation	<u>41,580,557</u>	<u>3,991,976</u>	<u>(954,469)</u>	<u>44,618,064</u>
Total depreciated assets, net	<u>78,103,710</u>	<u>(3,738,788)</u>	<u>83,434</u>	<u>74,448,356</u>
	<u>\$ 80,440,868</u>	<u>\$ (2,175,635)</u>	<u>\$ (257,689)</u>	<u>\$ 78,007,544</u>

Depreciation expense has been allocated to the following functions: general support \$370,855, instruction \$3,346,872 and pupil transportation \$274,249.

As of June 30, 2010, invested in capital assets net of related debt consists of the following:

Capital assets, net of accumulated depreciation	\$ 78,007,544
Bond issuance costs, net	203,659
Bonds	(53,955,000)
Bond anticipation notes	(6,962,234)
Cash reserved for capital projects, net of related payables	3,237,692
	<u>\$ 20,531,661</u>

6. Short-Term Debt

Aggregate bond anticipation notes (BANs) outstanding at June 30, 2010 amounted to \$6,962,234 (\$5,414,750 as of June 30, 2009) and carry interest between .89% and 4.5% (1.5% and 4.5% at June 30, 2009). In 2010, \$988,250 of outstanding BANs was redeemed and \$2,000,000 was rolled forward into a \$4,535,734 BAN issuance. The BANs mature in July 2010 and June 2011. The District intends to reissue all BANs after the payment of one year's principal with further annual reductions until they are paid in full within five years.

7. Long-Term Liabilities

	July 1, 2009	Increases	Decreases	June 30, 2010	Amounts Due in One Year
Bonds	\$ 57,545,000	\$ -	\$ 3,590,000	\$ 53,955,000	\$ 3,760,000
Compensated absences	3,880,000	-	77,000	3,803,000	1,069,000
	<u>\$ 61,425,000</u>	<u>\$ -</u>	<u>\$ 3,667,000</u>	<u>\$ 57,758,000</u>	<u>\$ 4,829,000</u>

Existing obligations:

Description	Maturity	Rate	Balance
Refunding bonds - 2002	May 2021	2.5% - 5.5%	\$ 22,790,000
Serial bond 2006A	June 2026	4.25%	3,015,000
Serial bond 2006B	June 2027	4.375%	28,150,000
			<u>\$ 53,955,000</u>

Debt service requirements:

Year ending June 30,	Principal	Interest
2011	\$ 3,760,000	\$ 2,433,163
2012	3,935,000	2,253,225
2013	4,095,000	2,087,556
2014	3,715,000	1,891,525
2015	3,910,000	1,703,513
2016-2020	17,670,000	5,845,706
2021-2025	12,115,000	2,541,037
2026-2027	4,755,000	308,875
	<u>\$ 53,955,000</u>	<u>\$ 19,064,600</u>

Advance Refunding of Debt:

The District previously defeased certain bonds by placing the proceeds of the new issuance in an irrevocable trust to provide for all future debt service payments on the original bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2010, remaining principal of the defeased debt was \$18,875,000.

8. Contributions to Pension Plans

The District participates in the New York State and Local Employees' Retirement System (ERS) and New York State Teachers' Retirement System (TRS) (the Systems), which are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

• **New York State Teachers' Retirement System:**

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

• **New York State and Local Employees' Retirement System:**

ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001.

• **Funding Policies:**

The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3% (ERS) or 3.5% (TRS) of compensation throughout their active membership in the Systems. No employee contribution is required for those hired prior to July 1976. For ERS, the Comptroller annually certifies the rates, expressed as a percentage of the wages of participants, used to compute the contributions required to be made by the District to the pension accumulation fund. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board.

The required contributions and rates over the past three years were:

	ERS		TRS	
	Amounts	Rate	Amounts	Rate
2010	\$ 599,340	7.1% - 9.3%	\$ 1,735,422	6.19%
2009	647,880	8.1% - 10.8%	2,045,368	7.63%
2008	687,707	9.0% - 12.1%	2,240,743	8.73%

The District's contributions made to the Systems were equal to 100% of the required amount for each year.

9. Sick Time Conversion

The District provides employees the option of converting accumulated sick time to provide for the payment of health insurance at retirement in accordance with the provisions of various employment contracts. The contracts provide the option of converting accumulated sick pay to purchase health care and require various years of service and age limits. The District accrues for future compensated absences in the government-wide financial statements under the requirements of GASB 16, *Accounting for Compensated Absences*

10. Postemployment Healthcare Benefits

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance for certain District retirees and spouses.

Benefit provisions are based on individual contracts with the District, as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility includes superintendents who retire from the District over age 55 with 15 or more years of service with surviving spouse coverage. All other employees can obtain continuing coverage at their own expense until age 65 when a Medicare supplement plan is available if they wish to remain in the District's Plan. The Plan is experience-rated. The District recognizes its implicit rate subsidy for retirees maintaining coverage under the Plan as an other postemployment benefit in accordance with GASB 45. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended June 30, 2010, the District contributed \$155,175 for plan benefits.

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the District. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years. OPEB expense is also calculated based upon the following components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees at the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The following table summarizes the District's annual OPEB for the year ended June 30, 2010:

Annual required contribution	
Normal cost	\$ 203,947
Amortization of unfunded actuarial accrued liability	151,367
Interest	10,007
ARC adjustment	<u>(8,865)</u>
	356,456
Contributions made	<u>(155,175)</u>
Increase in net OPEB obligation	201,281
Net OPEB obligation - beginning of year	<u>200,139</u>
Net OPEB obligation - end of year	<u>\$ 401,420</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 356,456	43.5%	\$ 401,420
2009	355,314	43.7%	200,139

As of July 1, 2008, the actuarial accrued liability for benefits was \$3,373,302, all of which is unfunded. The annual payroll of employees covered by the Plan was \$36,179,271 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.3%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. A schedule of funding progress will be presented in future years as required supplementary information. This schedule will display multi-year trend information about whether the actuarial value of Plan assets (if any) is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations. The following assumptions were made:

- Retirement age for active employees** – 2006 TRS schedule separate for males and females with ages beginning at 55 with different tables for those with less than 30 years of service and non-teachers
- Marital status** – 70% married, with male spouses assumed to be three years older than female spouses unless actual ages provided for current retirees
- Mortality** – 2006 TRS separate tables for males and females and actives and retirees
- Turnover** – 2003 Society of Actuaries small plan withdrawal rates
- Healthcare cost trend rate** – 10.0% initially, reduced to an ultimate rate of 5.0% after ten years
- Actuarial cost method** – Entry age normal method over a level percent of pay
- Discount rate** – 5%
- Salary Scale** – 4%
- Amortization method** – 30 years level percent of pay, open group

11. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. In addition, State aid payments are based upon estimated expenditures and pupil statistics, are complex and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects any such amounts to be immaterial.

Construction Commitments

The District has entered into construction contracts with various companies for a roof renovation project. District voters approved spending up to \$4,900,000 on this project, which will be performed in various phases over the next two years. Outstanding contract commitments at June 30, 2010 were \$3,322,000.

Litigation

The District is involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the District.

13. Fund Balance Reserves

The amount of \$5,000,000 has been designated as the amount estimated to be appropriated to reduce taxes in the subsequent year as required by Section 1318 of the Real Property Law.

14. Subsequent Events

In July 2010, the District issued \$9,000,000 in tax anticipation notes (TANs) and \$2,233,250 in BANs each with an interest rate of .91% and maturing in July 2011.

CLARENCE CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Change from Original to Final Budget
And Use of Unreserved Fund Balance - General Fund**

For the year ended June 30, 2010

See Independent Auditors' Report

Original expenditure budget	\$ 70,195,755
Encumbrances carried over from prior year	<u>1,412,144</u>
Revised expenditure budget	<u>\$ 71,607,899</u>

Use of Unreserved Fund Balance

Unreserved fund balance as of July 1, 2009	\$ 10,884,635
Less appropriated fund balance used for tax levy	<u>3,800,000</u>
	<u>\$ 7,084,635</u>

CLARENCE CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Capital Project Expenditures**

For the year ended June 30, 2010

See Independent Auditors' Report

Project Title	Budget	Expenditures			Unexpended Balance
		Prior Years	Current Year	Total	
Roof Renovation Project	\$ 4,900,000	\$ 15,172	\$ 1,563,153	\$ 1,578,325	\$ 3,321,675

CLARENCE CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Certain Revenues and Expenditures
Compared to ST-3 Data**

For the year ended June 30, 2010
See Independent Auditors' Report

	ST-3		General Fund Financial Statement Amounts
	Account Code	Amounts (Unaudited)	
Revenues			
Real property taxes	A-1001	\$ 34,081,895	\$ 34,081,895
Nonproperty taxes	AT-1199	\$ 4,759,306	\$ 4,759,306
State aid	AT-3999	\$ 20,803,055	\$ 20,803,055
Federal aid	AT-4999	\$ 3,520,035	\$ 3,520,035
Total revenues and other financing sources	AT-5999	\$ 68,018,509	\$ 68,018,509
Expenditures			
General support	AT-1999	\$ 6,615,345	\$ 6,615,345
Pupil transportation	AT-5599	\$ 3,406,143	\$ 3,406,143
Debt service - principal	AT-9798.6	\$ 4,578,250	\$ 4,578,250
Debt service - interest	AT-9798.7	\$ 2,892,360	\$ 2,892,360
Total expenditures and other financing uses	AT-9999	\$ 67,317,302	\$ 67,317,302

CLARENCE CENTRAL SCHOOL DISTRICT

**Supplementary Information
Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2010
See Independent Auditors' Report

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed Through New York State Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	0021-10-0770	\$ 134,535
Title I Grants to Local Educational Agencies	84.010	0021-09-0770	72,110
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	5021-10-0770	139,274
Total Title I, Part A Cluster			<u>345,919</u>
Special Education Cluster			
Special Education_Grants to States	84.027	0032-10-0221	886,773
Special Education_Preschool Grants	84.173	0033-10-0221	19,770
ARRA - Special Education Grants to States, Recovery Act	84.391	5032-10-0221	554,145
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	5033-10-0221	20,464
Total Special Education Cluster			<u>1,481,152</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	5000-10-0770	3,261,016
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-10-0770	14,153
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-09-0770	960
State Grant for Innovative Programs	84.298	0002-09-0770	480
Educational Technology State Grants	84.318	0292-10-0770	625
Educational Technology State Grants	84.318	0292-09-0770	217
Improving Teacher Quality State Grants	84.367	0147-10-0770	47,633
Improving Teacher Quality State Grants	84.367	0147-09-0770	16,307
Total U. S. Department of Education			<u>5,168,462</u>
U.S. Department of Agriculture:			
Passed Through New York State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	20,508
National School Lunch Program	10.555	N/A	217,001
Total Child Nutrition Cluster			<u>237,509</u>
Passed Through New York State Office of General Services			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	105,227
Total U.S. Department of Agriculture			<u>342,736</u>
Total Expenditures of Federal Awards			<u>\$ 5,511,198</u>

CLARENCE CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Clarence Central School District (the District), an entity as defined in Note 1 to the District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Non-monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2010, the District used \$105,227 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Education
Clarence Central School District
Clarence, New York

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of Clarence Central School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs [2007-01] that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the District in a separate letter dated October 4, 2010.

This report is intended solely for the information and use of management, the Audit Committee, Board of Education, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Lumsden & McDevick, LLP

October 4, 2010

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Education
Clarence Central School District
Clarence, New York

Compliance

We have audited Clarence Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Audit Committee, Board of Education, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



October 4, 2010

CLARENCE CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes [2007-01]

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	\$ 206,645
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>139,274</u>
		<u>345,919</u>
Special Education Cluster:		
Special Education_Grants to States	84.027	886,773
Special Education_Preschool Grants	84.173	19,770
ARRA - Special Education Grants to States, Recovery Act	84.391	554,145
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	<u>20,464</u>
		<u>1,481,152</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>3,261,016</u>
		<u>\$ 5,088,087</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II. *Financial Statement Findings*

2007-01

Condition:

Historically, management has requested that its external auditors provide feedback and assistance with entries required by GASB 34 and in drafting the annual financial statements and footnote disclosures.

Criteria:

Controls should be in place to ensure proper financial reporting and complete and accurate disclosures, exclusive of the efforts of the external auditor.

Effect:

The District's financial statements may not be properly presented in accordance with generally accepted accounting principles.

Recommendation:

While possibly impractical, management may wish to consider additional training or other resources to ensure completeness of its reporting process and control system.

Management's Response:

In order to eliminate this condition, the District would need to devote considerable resources either internally or externally to ensure complete mastery of existing and future accounting principles and disclosure requirements. Management would have to compile the financial statements, including footnotes, and employ separate and distinct personnel for all standard implementation issues, in lieu of the services presently provided by our auditing firm. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this option is practical for the District.

Section III. *Federal Award Findings and Questioned Costs*

No matters were reported.

CLARENCE CENTRAL SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

<u>Reference Number</u>	<u>Discussion</u>	<u>Cost</u>	<u>Status of Finding</u>
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No findings were reported and as such, no corrective action plan is needed.

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