

## **PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 6, 2021**

### **REFUNDING SERIAL BONDS**

**Ratings: See "Ratings" herein**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "TAX MATTERS" herein.)*

*The Bonds will **not** be designated as "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.*

### **CHESTER UNION FREE SCHOOL DISTRICT ORANGE COUNTY, NEW YORK**

**\$13,440,000\***

### **SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2021 (the "Bonds")**

**Dated Date: Date of Delivery**

**Maturity Date: April 15, 2022-2031**

The Bonds are general obligations of the Chester Union Free School District, Orange County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Bonds. All the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation to rate or amount. (See "*Nature of the Obligation*" and "*Tax Levy Limitation Law*" herein.)

The Bonds will be issued in registered book-entry-only form registered to Cede & Co., as the partnership nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. (See "*Book-Entry-Only System*," herein.)

The Bonds are dated their Date of Delivery and will bear interest from such date payable April 15, 2021, October 15, 2021 and semiannually thereafter on each April 15 and October 15 until maturity and will mature on April 15 in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity as discussed herein. (See "*Optional Redemption*" herein.)

The Bonds are offered when, as if issued and received by the purchaser and subject to the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about February 4, 2021.

THIS OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE DISTRICT FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING FOR THE BONDS" HEREIN.

DATED: January \_\_, 2021

\*Preliminary, subject to change.

The Bonds mature on April 15 in each year as set forth below:

<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number***</u>
2022	\$1,070,000	%		
2023	1,130,000			
2024	1,185,000			
2025	1,240,000			
2026	1,305,000			
2027	1,365,000			
2028	1,435,000			
2029	1,510,000			
2030**	1,570,000			
2031**	1,630,000			

\* The principal maturities of the Bonds are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Sale.

\*\* Subject to redemption prior to maturity (See “*Optional Redemption*” herein.)

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

**CHESTER UNION FREE SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK**

**BOARD OF EDUCATION**

Frank Sambets .....President  
Sandy Nagler ..... Vice President  
Dawn Guevara .....Board Member  
John Pasichnyk .....Board Member  
Keith Brideweser .....Board Member

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**DISTRICT OFFICIALS**

Dennis Petrilak ..... Superintendent of Schools  
Erin Brennan ..... Business Official  
Debra Lys ..... District Clerk

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**INDEPENDENT AUDITORS**

**Nugent & Haeussler, P.C.  
Montgomery, New York**

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**BOND COUNSEL**

**Orrick, Herrington & Sutcliffe LLP  
New York, New York**

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**MUNICIPAL ADVISOR**



**Capital Markets Advisors, LLC**  
**Hudson Valley \* Long Island \* New York City \* Southern Tier \* Western New York**  
**(516) 274-4504**

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

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### APPENDIX D - FORM OF BOND COUNSEL'S OPINION

**OFFICIAL STATEMENT  
RELATING TO THE ISSUANCE OF  
  
CHESTER UNION FREE SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK**

**relating to**

**\$13,440,000\*  
SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2021  
(the “Bonds”)**

This Official Statement (the “Official Statement”), which includes the cover page and appendices hereto, presents certain information relating to the Chester Union Free School District, in the County of Orange, in the State of New York (the “District”, “County”, and “State”, respectively), in connection with the sale of \$13,440,000 School District Refunding (Serial) Bonds, 2021 (the “Bonds”).

All quotations from and summaries and explanations of the 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 compilation thereof, and all references to the Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District’s overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. (See “*Risk Factors*”, “*State Aid*” and “*Events Affecting New York School Districts*” herein.)

**THE BONDS**

***Description***

The Bonds will be issued in registered book-entry-only form registered to Cede & Co., as the partnership nominee for the Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. (See “*Book-Entry-Only System*”, herein.)

The Bonds will be dated the date of delivery, will bear interest from such date payable April 15, 2021, October 15, 2021 and semiannually thereafter on each April 15 and October 15 until maturity and will mature on April 15 in the years and amounts as set forth on the inside cover page thereof. The Bonds are subject to optional redemption prior to maturity (see “*Optional Redemption*” herein).

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

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\* Preliminary, subject to change.

### ***Authorization and the Refunding Plan for the Bonds***

The Bonds are issued pursuant to the Constitution and Laws of the State, including among others, the Local Finance Law, the Education Law, and the refunding bond resolution duly adopted by the Board of Education on November 24, 2020 (the "Refunding Bond Resolution"). A refunding financial plan has been prepared and is described below (the "Refunding Plan").

The Bonds are being issued to refund \$15,490,000 of the outstanding principal of the District's \$24,355,000 School District (Serial) Bonds, 2013, which mature in the years 2022 to 2031, inclusive, (the "Refunded Bonds"). Under the Refunding Plan, the Refunded Bonds are to be called and redeemed on April 15, 2021. The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds) will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the "Government Obligations") which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") to be held by Manufacturers and Traders Trust Company, (the "Escrow Holder"), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the "Escrow Contract"). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of and interest on the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond Resolution of the District and the Escrow Contract, to pay the redemption price of the Refunded Bonds on the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

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

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

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

The list of Refunded Bond maturities set forth below may be changed by the District in its sole discretion due to market or other factors considered relevant by the District at the time of pricing of the Bonds and no assurance can be given that any particular bonds listed below or that any particular maturity thereof will be refunded.

*(The remainder of this page intentionally left blank.)*

Refunded Bonds\*:

<u>Maturity Date:</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Redemption Date/Price</u>
April 15, 2022	\$1,290,000	5.00%	166074 BZ6	April 15, 2021 @ 100.00%
April 15, 2023	1,360,000	5.00	166074 CA0	April 15, 2021 @ 100.00%
April 15, 2024	1,430,000	3.00	166074 CB8	April 15, 2021 @ 100.00%
April 15, 2025	1,470,000	3.00	166074 CC6	April 15, 2021 @ 100.00%
April 15, 2026	1,515,000	3.00	166074 CD4	April 15, 2021 @ 100.00%
April 15, 2027	1,555,000	5.00	166074 CE2	April 15, 2021 @ 100.00%
April 15, 2028	1,635,000	3.25	166074 CF9	April 15, 2021 @ 100.00%
April 15, 2029	1,690,000	3.25	166074 CG7	April 15, 2021 @ 100.00%
April 15, 2030	1,745,000	3.25	166074 CH5	April 15, 2021 @ 100.00%
April 15, 2031	1,800,000	3.25	166074 CJ1	April 15, 2021 @ 100.00%
Total:	<u>\$15,490,000</u>			

All proceeds of the Refunded Bonds have been heretofore expended.

\* Preliminary, subject to change.

### ***Sources and Uses of Proceeds***

The proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$
Net Original Issue Premium	
	<u>                    </u>
	\$
	<u>                    </u>
Uses:	
Refunding Escrow Deposit	\$
Costs of Issuance and Contingency	
Underwriter's Discount	
	<u>                    </u>
Total	\$
	<u>                    </u>

### ***Verification of Mathematical Computations***

Causey, Demgen & Moore P.C. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of: (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds, and (2) the computations of the yield on both the Government Obligations and the Bonds contained in the provided schedules to be used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for Federal income tax purposes.

### ***Certificated Bonds***

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in

denominations of \$5,000 each or any integral multiple thereof. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the District upon termination of the book-entry-only system. Interest on the Bonds will be payable on April 15, 2021, October 15, 2021, and semi-annually thereafter on April 15 and October 15 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last day of the month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the month preceding an interest payment date and such interest payment date.

### ***Optional Redemption***

**Call Provisions.** The Bonds maturing in the years 2022 to 2029, inclusive, will not be subject to redemption prior to maturity. The Bonds maturing on or after April 15, 2030 will be subject to redemption prior to maturity at the option of the District, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after April 15, 2029 at par, plus accrued interest to the date of redemption.

**Notification Procedures.** If less than all of the Bonds of any maturity are to be redeemed, the particular bonds of such maturity redeemed shall be selected by lot in any customary manner of selection as determined by the District. Notice of such call for redemption shall be given by mailing such notice to the registered holder not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date (See “Book-Entry-Only System” for additional information concerning redemptions).

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

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

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

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

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

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State



has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

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

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

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

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

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

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

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

The information in this Section concerning DTC and DTC's book-entry only system has been obtained from DTC. The District makes no representation or warranty regarding the accuracy or completeness thereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant of such issue to be redeemed. The District is not responsible for sending notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Source: The Depository Trust Company

THE INFORMATION CONTAINED IN THE ABOVE SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SAMPLE OFFERING DOCUMENT LANGUAGE SUPPLIED BY DTC, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS.

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 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR 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 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT

PARTICIPANTS OF DTC OR ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS ; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

### **SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

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

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

**Authority to File For Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt, including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the District be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the District could be adversely affected by the restructuring of the District's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the District (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the District under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the 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 Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

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

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which

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

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

**Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law.** The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims against the municipality, including payment of debt service on outstanding indebtedness.

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

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

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

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

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

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

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

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

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

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

Several municipalities in the State are presently working with the FRB. The District has not applied to the FRB and does not reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

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

any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

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

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

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

## **RISK FACTORS**

There are certain potential risks associated with an investment in the Bonds, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

In addition, if and when a holder of any of the Bonds should elect to sell a Bond 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 Bonds. The price or principal value of the Bonds is dependent on the prevailing level of interest rates. If interest rates should increase, the price of a bond or note may decline causing the bond or noteholder to potentially incur a capital loss if such bond or note is sold prior to its maturity.

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

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State’s economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See “*State Aid*” and “*Events Affecting New York School Districts*” herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein).

## **TAX MATTERS**

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

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

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and The City of New York, the ownership or disposition of, or the amount accrual or receipt of interest



on, the Bonds may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bond to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

## **LITIGATION**

In common with other school districts, the District from time to time receives various notices of claim and is party to litigation. In the opinion of the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

Various property owners have filed certiorari claims under Article 7 of the Real Property Tax Law. These taxpayers assert that their property values, as presently determined, are excessive and request assessment reductions and, in most actions, a refund of property taxes previously paid. It is not possible to provide an estimate of the District's ultimate financial exposure but historically tax certiorari settlements have resulted in assessment reductions and related tax refunds for amounts less than the original claim.

For the fiscal years June 30, 2019 and 2020 the District paid tax refunds of \$26,760 and \$6,490, respectively. The District may finance tax settlements by issuing debt pursuant to provisions set forth in the Local Finance Law. The District has a reserve for tax certiorari to pay claims with a balance of \$1,424,883 as of June 30, 2020.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Bonds or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the District.

## **CYBERSECURITY**

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

## **LEGAL MATTERS**

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

## **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements 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”), the District has agreed to provide, or cause to be provided,

(i) during any succeeding fiscal year in which the Bonds are outstanding, to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, in electronic format and accompanied by such identifying information as is prescribed by the MSRB, certain “annual financial information” (as such quoted term is defined under the Rule) for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the heading(s) “THE DISTRICT”, “FINANCIAL FACTORS”, “REAL PROPERTY TAXES”, “DISTRICT INDEBTEDNESS”, “ECONOMIC AND DEMOGRAPHIC DATA” and “LITIGATION” and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding year when and if available will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the District of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each such succeeding fiscal year.

(ii) In a timely manner, not more than ten (10) business days after occurrence of the event, to the MSRB through EMMA in electronic format, a notice of any of the following events with respect to the Bonds:

- (a) principal and interest payments delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service (IRS) 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 Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) bond calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar events 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 action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

- (n) appointment of a successor or additional trustee, or the change of the name of the trustee, if material;
- (o) incurrence of a “financial obligation” (as defined in the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect Bond holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the District, if any such event reflects financial difficulties.

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

\*\*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 Bonds.

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

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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 Bonds; 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.

- (iii) in a timely manner, to the MSRB through EMMA, notice of its failure to provide the aforescribed annual financial information on or before the date specified in the continuing disclosure undertaking.

The District reserves the right to terminate its obligation to provide the aforescribed notices, as set forth above, if and when the District no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interest in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District obligations under its event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds 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.

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### ***Continuing Disclosure History***

On October 13, 2020, the District filed a material event notice with EMMA related to a rating downgrade. On October 2, 2020, Moody's Investors Service downgraded the programmatic rating on New York State Section 99-b Intercept Program applicable to all New York State school districts, including the district to A1 from Aa3. The underlying credit rating on the District's outstanding bonds were not affected by the downgrade.

### **RATINGS**

The District has applied to Moody's Investors Service ("Moody's") for ratings on the Bonds. Such application is pending at this time.

The District's outstanding uninsured long-term indebtedness has been assigned a rating of "A1" by Moody's.

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

### **MUNICIPAL ADVISOR**

Capital Markets Advisors LLC, Great Neck, New York is serving as Municipal Advisor to the District with respect to the issuance of the Bonds. The Municipal Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the District to provide continuing secondary market disclosure.

### **ADDITIONAL INFORMATION**

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District management's beliefs as well as assumptions made by, and information currently 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 presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will, or "should", or similar words or phrases are intended to identify forward-looking statements.

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

Orrick, Herrington & Sutcliffe LLP, New York, New York, bond counsel to the District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information

in this Official Statement.

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

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

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

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

Additional information may be obtained from Mr. Erin Brennan, Business Official, 64 Hambletonian Avenue, Chester, NY 10918, (845) 469-9184 x.3, e-mail: [ebrennan@chesterufsd.org](mailto:ebrennan@chesterufsd.org) or from the District's Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308 Great Neck, New York 11021, (516) 274-4504.

CHESTER UNION FREE SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK

By: \_\_\_\_\_  
Frank Sambets  
President of the Board of Education and  
Chief Fiscal Officer

DATED: January \_\_, 2021

## **APPENDIX A**

### **THE DISTRICT**

## **THE DISTRICT**

### ***General Information***

The District, located approximately 60 miles north of New York City, is situated in the central portion of Orange County. The District is comprised of the Towns of Chester (89.3% of the District), Goshen (9.8%) and Blooming Grove (.8%).

The character of the District is suburban residential in nature with some retail business activity. The majority of homes within the District are single-family. Many residents of the District commute to New York City for employment. In addition, residents of the District are employed throughout the County. See “Major Employers In The County” herein.

Municipal services, which include police and fire protection, water and sewer services, a library system and park facilities are provided by the three Towns. Electricity and natural gas are provided throughout the District by Orange & Rockland Utilities. Cable TV is provided by a private cable company.

The District is served by a network of highways, which includes New York State Routes 17, 94 and 207 and access to the New York State Thruway and Interstate 84. Commuter rail passenger service is provided by the Metro-North Division of the Metropolitan Transportation Authority, while Conrail provides freight services. Commercial air transportation is available at nearby Stewart Airport in Newburgh.

### ***District Organization***

The District is an independent entity governed by an elected board of education comprised of five members. District operations are subject to the provisions of the State Education Law affecting central school districts and school districts in general; 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 rotating basis by the qualified voters at the annual elections of the District. The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and this person is 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 and collection of real property taxes, the authorization of the issuance of bonded debt (also subject to voter approval), the appointment of such employees as may be necessary, and such other duties as may be reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the superintendent of schools who serves at its pleasure. The superintendent is the chief executive officer of the school district and the educational system. In addition, the superintendent is an ex-officio member of the Board of Education with the right to speak on all matters before the Board but not to vote. It is the responsibility of the superintendent to enforce all provisions of law and all rules and regulations relating to the management of the school and other educational, social and recreational activities under the direction of the Board of Education.

### ***Financial Organization***

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Business Official and the District Clerk.

## ***Budgetary Procedure***

Pursuant to the Education Law, the District's Board of Education each year prepares or causes to be prepared a budget for the ensuing fiscal year. The budget, effective for fiscal years beginning on or after July 1, 1998, must consist of three parts: program, administration and capital. During November and December the tentative budget is developed and refined in consultation with school principals and department supervisors. At the March and April meetings of the Board of Education the proposed budget is discussed and further refined. The tentative budget is adopted by the Board at its April meeting and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Residents of the District who are qualified to vote may participate in the referendum. Prior to the Annual Meeting a public hearing on the proposed budget is held.

The District's budget is subject to the provisions of Chapter 97 of the Laws of 2011, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. See "New Tax Levy Limitation Law," herein.

Pursuant to a recent Executive Order, school district elections and budget votes that normally would have been held on May 19, 2020 were postponed until June 16, 2020, at which date a majority of the voters of the District approved the budget for the 2020-2021 fiscal year.

Summaries of the District's Adopted Budgets for the fiscal years 2019-2020 and 2020-2021 may be found in Appendix B, hereto.

## ***Financial Statements and Accounting Procedures***

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request.

## ***School Enrollment Trends***

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

<b><u>School Enrollment Trends</u></b>			
<b><u>Fiscal Year</u></b> <b><u>Ended June 30:</u></b>	<b><u>Enrollment</u></b>	<b><u>Fiscal Year</u></b> <b><u>Ended June 30:</u></b>	<b><u>Projected</u></b> <b><u>Enrollment</u></b>
2016-2017	1,084	2021-2022	914
2017-2018	998	2022-2023	874
2018-2019	985	2023-2024	853
2019-2020	987	2024-2025	845
2020-2021	946	2025-2026	848

Source: District Officials.

## ***District Facilities***

The District currently operates the following facilities:

<b><u>Name</u></b>	<b><u>Present</u></b> <b><u>Capacity</u></b>	<b><u>Years Built</u></b>	<b><u>Grades</u></b>
Chester Jr./Sr. High School	Leased to BOCES	1932	9-12
Chester Elementary School	783	1972	6-8
Chester Academy	982	2004	2-5

Source: District Officials.



## ***Employees***

The District employs approximately 210 full-time and part-time employees. Union employees are represented by various unions as follows:

<u>No. of Employees</u>	<u>Unit</u>	<u>Contract Expiration Date</u>
90	Chester Teachers' Association	6/30/22
61	Civil Service Employees Association	6/30/22
6	Administrative Union	6/30/21*

Source: District Officials.

\*The contract is currently under negotiation.

## ***Employee Benefits***

New York State Certified 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 non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% (ERS) or 3.5% (TRS) of their gross annual salary toward the cost of retirement programs.

On December 10, 2009 a new Tier V was signed into law. The law is effective for new ERS and TRS employees hired after January 1, 2010 and on or before April 1, 2012. Tier V ERS employees will contribute 3% of their salaries and TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier VI for employees hired on or after April 1, 2012. The new pension tier has progressive contribution rates between 3% and 6% with no provision for these contributions to cease after a certain period of service; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier VI, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. The reform legislation also required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would otherwise make a lower contribution possible.

Due to prior poor performance of the investment portfolio of TRS and ERS, the employer contribution rates for required pension contributions to the TRS and ERS in 2011 and certain subsequent years have increased. To help mitigate the impact of such increases, legislation was enacted to permit school districts to amortize a portion of the contributions to the ERS only. Under such legislation, school districts that choose to amortize will be required to set aside and reserve funds with the ERS for certain future rate increases. The District has not and does not reasonably expect to amortize such contributions in the immediate future.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below.

The TRS SCO deferral plan is available to school districts for a total of seven years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan. The District has not and does not reasonably expect to participate in the ERS or TRS SCO program.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established such a fund in the 2018-2019 fiscal year.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic has caused extreme volatility across all financial markets, including those markets in which the Retirement System funds are invested. While State Comptroller DiNapoli has made recent comments that the Common Retirement Fund is well-positioned to withstand current market disruption, the impacts of such volatility on future contribution rates, if any, cannot be known at this time. (See “*Risk Factors*” herein for further detail.)

### ***Retirement Billing Procedures***

**TRS.** TRS contributions are paid as a reduction in State aid payments due September 15, October 15 and November 15 of the succeeding fiscal year. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January.

**ERS.** The District’s contributions to ERS are due on or before February 1. Such contributions are based on salary estimates for the State fiscal year ending on March 31 of the next calendar year.

The amounts contributed to TRS and ERS for the last five fiscal years and the amount estimated for the current fiscal year are as follows:

Fiscal Year Ended June 30	ERS	TRS
2015-2016	\$1,039,226	\$508,470
2016-2017	963,753	585,504
2017-2018	739,236	446,538
2018-2019	906,371	754,536
2019-2020	825,429	838,000
2020-2021 (Budget)	915,709	283,293

## ***Other Post Employment Benefits***

The District implemented GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), which replaces GASB Statement No. 45 as of fiscal year ended June 30, 2018. GASB 75 requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, known as other post-employment benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB similarly to GASB Statement No. 68 reporting requirements for pensions.

GASB 75 requires state and local governments to measure a defined benefit OPEB plan as the portion of the present value of projected benefit payments to be provided to current active and inactive employees, attributable to past periods of service in order to calculate the total OPEB liability. Total OPEB liability generally is required to be determined through an actuarial valuation using a measurement date that is no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year.

GASB 75 requires that most changes in the OPEB liability be included in OPEB expense in the period of the changes. Based on the results of an actuarial valuation, certain changes in the OPEB liability are required to be included in OPEB expense over current and future years.

The District’s total OPEB liability as of June 30, 2020 was \$31,708.003 using a discount rate of 3.51% and actuarial assumptions and other inputs as described in the District’s June 30, 2020 audited financial statements.

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

At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. The District has continued funding this expenditure on a pay-as-you-go basis.

Legislation has been introduced from time to time to create an optional investment pool to help the State and local governments fund retiree health insurance and OPEB. Such proposed legislation would generally authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State’s OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposals, there would be no limits on how much a local government can deposit into the trust. The District cannot predict whether such legislation will be enacted into law in the foreseeable future.

## ***Investment Policy***

Pursuant to Section 39 of the State's General Municipal Law, the District has an investment policy applicable to the investment of all moneys and financial resources of the District. The responsibility for the investment program has been delegated by the Board of Education to the Deputy Superintendent for who was required to establish written operating procedures consistent with the District's investment policy guidelines. According to the investment policy of the District, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

**Authorized Investments.** The District has designated five banks or trust companies which are located and authorized to conduct business in the State to receive deposits of money. The District is permitted to invest in special time deposits or certificates of deposit. In addition, the District has authorized pooled investments with NY/CLASS.

In addition to bank deposits, the District is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal

and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the District include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the District (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the District but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The District may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the District, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

**Collateral Requirements.** All District deposits in excess of the applicable insurance coverage provide by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the “eligible securities,” “eligible surety bonds” or “eligible letter of credit” as described in the law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The District's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection such deposits in the event of a default. Securities not registered or inscribed in the name of the District must be delivered, in a form suitable for transfer or with an assignment in blank, to the District or its designated custodial bank. The custodial agreements used by the District provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the District, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the District in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

## **FINANCIAL FACTORS**

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2020 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds, bond anticipation notes and the use of funds reserved for capital improvements.

## ***Impact of COVID-19***

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to PPE, thermometers, etc. The District has paid such costs from budgetary appropriations and available funds. The District's State aid for the 2019-2020 school year was not reduced. In the District's 2020-2021 Adopted Budget, State aid revenues are not estimated to be less than the prior year. In the District 2020-2021 Adopted Budget, State aid revenues comprise approximately 28.87% of its operating budget. The District does not believe that the increased costs or the potential reductions in State aid described above will have a material adverse impact on the finances of the District. (See also "State Aid" and "Risk Factors" herein.)

## ***Real Property Taxes***

The District derives a major portion of its revenues from a tax on real property. On June 24, 2011, Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. (See "Tax Levy Limitation Law," herein.)

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years and the amounts budgeted for the most recent and current fiscal year.

Fiscal Year <u>Ended June 30:</u>	<b><u>Property Taxes</u></b>		
	<u>Total</u> <u>Revenues</u> <sup>(1)</sup>	<u>Real Property</u> <u>Taxes</u> <sup>(1)</sup>	<u>Taxes to</u> <u>Revenues</u>
2016	\$25,136,138	\$16,565,768	65.90%
2017	26,198,649	16,966,703	64.76
2018	26,545,442	17,271,771	65.07
2019	28,220,534	18,068,147	64.02
2020	27,856,795	18,937,586	67.98
2021 (Adopted Budget)	29,613,452	18,999,518	64.16

(1) General Fund only.

(2) Inclusive of Other Tax Items, which represents STAR tax payments made to the District by the State. (See "STAR - School Tax Exemption," herein).

Source: Audited Financial Statements and Adopted Budgets of the District. This summary is not audited.

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## ***State Aid***

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years and the amount budgeted for the current fiscal year.

<b><u>State Aid</u></b>			
<b><u>Fiscal Year</u></b> <b><u>Ended June 30:</u></b>	<b><u>Total</u></b> <b><u>Revenues</u></b>	<b><u>Total</u></b> <b><u>State Aid</u></b>	<b><u>Percentage of Total Revenues</u></b> <b><u>Consisting of State Aid</u></b>
2016	\$25,136,138	\$6,775,818	26.96%
2017	26,198,649	7,438,852	28.39
2018	26,545,442	7,466,517	28.13
2019	28,220,534	7,859,463	27.85
2020	28,185,209	7,815,121	27.72
2021 (Adopted Budget)	29,613,452	8,550,484	28.87

Source: Audited Financial Statements and Adopted Budgets of the District.

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

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due the outbreak of COVID-19 the State has declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically.

On August 13, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a \$14.5 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$62 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State. (See also "*Risk Factors*", "*Recent Events Affecting New York School Districts*" and "*Impacts of COVID-19*" herein).

In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

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

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

Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

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 legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity (“CFE”) v. State of New York*, included 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.

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

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

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 outbreak has affected and is expected to continue to affect State aid to school district.

*School district fiscal year (2015-2016):* The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

*School district fiscal year (2016-2017):* The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the State’s 2015-16 Enacted Budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the State’s 2016-17 Enacted Budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase related to (\$100 million) Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

*School district fiscal year (2017-2018):* The State’s 2017-18 Enacted Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the State’s 2016-17 Enacted Budget. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as was the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2018-2019):* The State’s 2018-2019 Enacted Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as has the State’s usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018-2019



Enacted Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2019-2020):* For the 2019-20 school year, the State's Enacted Budget includes a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases are targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019-2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2020-2021):* Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year or in future fiscal years. However, the District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Risk Factors*" herein).

*Gap Elimination Aid:* The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under existing State aid formulas). The District's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the Adopted Budget for the State's 2016-2017 fiscal year included the elimination of the remaining balance of the GEA.

The Smart Schools Bond Act (the "SSBA") was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The SSBA requires that a Review Board review and approve districts' Smart Schools Investment Plan before any funds may be made available for the program.

### ***Other Revenues***

In addition to property taxes and State Aid, the District receives other revenues from miscellaneous sources as shown in Appendix B.

## ***Independent Audits***

The District retained the firm of Nugent & Haeussler, P.C., Certified Public Accountants, to audit its financial statements for the fiscal year ended June 30, 2020. Appendix B, attached hereto, presents excerpts from the District's most recent audited reports covering the last five fiscal years.

In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State (see "*The State Comptroller's Fiscal Stress Monitoring System*" herein.)

## ***The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews***

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

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

The classification of the District for the five most recent available fiscal years are as follows:

<b><u>Fiscal Year Ending</u></b>	<b><u>Stress Designation</u></b>	<b><u>Fiscal Score</u></b>
2019	No Designation	0.0
2018	No Designation	0.0
2017	No Designation	0.0
2016	No Designation	20.0
2015	No Designation	0.0

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein.

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## **REAL PROPERTY TAXES**

### ***Assessed and Full Valuations***

The following table sets forth the assessed and full valuation of taxable real property, the District's real property tax levy, including taxes levied for library purposes, and rates of tax per \$1,000 assessed valuation.

#### **Taxable Assessed Valuations**

<u><b>Fiscal Year Ending June 30:</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>
Towns of:					
Bloomington Grove	\$ 987,431	\$ 989,881	\$ 989,124	1,070,040	1,069,766
Chester	386,701,169	410,739,720	415,490,510	416,694,071	428,501,967
Goshen	<u>47,200,048</u>	<u>47,596,924</u>	<u>47,762,669</u>	<u>48,083,135</u>	<u>47,961,966</u>
Total Assessed Values	<u>\$ 434,888,648</u>	<u>\$ 459,326,525</u>	<u>\$ 464,251,303</u>	<u>\$ 465,847,246</u>	<u>\$ 477,533,699</u>

State

Equalization

Rates Towns of:

Bloomington Grove	18.60%	18.85%	17.15%	16.17%	14.75%
Chester	63.00%	62.50%	59.00%	58.20%	54.73%
Goshen	65.00%	65.00%	62.00%	61.00%	56.00%

Full

Valuation

Towns

of:

Bloomington Grove	\$ 5,308,769	\$ 5,251,358	\$ 5,819,965	\$ 6,617,440	\$ 7,52,651
Chester	613,811,379	657,183,552	704,221,203	715,969,194	782,937,999
Goshen	<u>72,615,458</u>	<u>73,226,037</u>	<u>77,036,563</u>	<u>78,824,811</u>	<u>85,646,368</u>
Taxable Full Valuations	<u>\$ 691,735,607</u>	<u>\$ 735,660,947</u>	<u>\$ 787,077,731</u>	<u>\$ 801,411,445</u>	<u>\$ 875,837,018</u>

#### **Tax Rate Per \$1,000 (Assessed)**

<u><b>Fiscal Year Ending June 30:</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>
Towns of:					
Bloomington Grove	\$ 122.00	\$ 120.50	\$ 129.28	\$ 140.22	\$ 142.51
Chester	36.02	36.34	37.45	39.06	38.04
Goshen	34.91	34.95	35.93	36.99	37.55

#### **Tax Collection Record**

<u><b>Fiscal Year Ending June 30:</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>
Towns of:					
Bloomington Grove	\$ 120,465	\$ 119,285	\$ 129,038	\$ 150,046	\$ 152,805
Chester	13,928,451	14,927,932	15,563,731	16,280,162	16,495,649
Goshen	<u>1,647,771</u>	<u>1,663,330</u>	<u>1,716,272</u>	<u>1,778,644</u>	<u>1,804,475</u>
Total Tax Levy	<u>\$ 15,696,687</u>	<u>\$ 16,710,547</u>	<u>\$ 17,409,041</u>	<u>\$ 18,208,852</u>	<u>\$ 18,452,930</u>
Amount Uncollected					
% Uncollected*	N/A	N/A	N/A	N/A	N/A

\*The District receives 100% of its tax levy each year. See "Tax Collection Procedures" herein.

Source: New York State Office of the State Comptroller.

## ***Tax Levy Limit Law***

Chapter 97 of the New York Laws of 2011, as amended, (herein referred to as the “Tax Levy Limit Law” or “Law”) modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes, including the Notes, issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

## ***Tax Collection Procedures***

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 Towns of Blooming Grove, Chester and Goshen. 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 of debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

The real property taxes of the District are levied by the District and collected by the District Tax Collector. Such taxes are due and payable on September 1 but may be paid through October 1 without penalty. Tax payments are subject to a 2% penalty from October 2<sup>nd</sup> through November 15 and 3% from November 1 to November 15. On November 15, the District files a report of any uncollected taxes with the County. The County thereafter, on or before April 1, pays to the District the amount of its uncollected taxes. Thus, the full amount of the District's real property tax levy is collected by the District in the fiscal year of the levy. The County has the power to issue and sell tax anticipation notes in order to reimburse any uncollected taxes to the District.

## ***STAR - School Tax Exemption***

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible

for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

The State’s 2019-2020 Enacted Budget included changes to the STAR program. For those homeowners with incomes over \$250,000, the STAR exemption benefit was capped at the 2019 fiscal year level, rather than allowed to grow by up to 2% annually under the STAR credit program. Those homeowners with incomes between \$250,000 and \$500,000 are able to convert to the credit program to maintain the full STAR benefit.

The State’s 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to \$250,000, compared with a \$500,000 limit for the credit.

Approximately 6.74% of the District’s 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 6.44% of the District’s 2020-2021 school tax levy is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January 2021. (See “*State Aid*” herein).

*(The remainder of this page has intentionally been left blank.)*

### ***Ten of the Largest Taxpayers***

The following table presents the taxable assessments of ten of the District's largest taxpayers for the 2020-2021 fiscal year. As of the date of this Preliminary Official Statement, the District currently does not have any pending or outstanding tax certioraris that are known to have a material impact on the District.

#### **2020-2021 Taxable Assessments**

<b><u>Name</u></b>	<b><u>Type</u></b>	<b><u>Assessed Valuation</u></b>
Spirit Lo Chester NY LLC	Warehouse/Distribution	\$ 21,773,000
Orange & Rockland Utilities	Utility	16,989,422
ADUSA Distribution LLC	Distribution	15,158,000
Chester Mall LLC	Retail	11,683,100
Pep Boys Manny Moe	Retail	9,223,740
Meadow Hill Apartments LLC.	Apartments	6,867,600
Iosmedix Operation Inc.	Manufacturing	5,946,800
Nexans Energy USA, Inc.	Manufacturing	5,347,100
Chester Investment	Retail	5,168,000

The larger taxpayers listed above have a total taxable assessed valuation of \$98,156,762, which represents 20.55% of the tax base of the District.

Source: School District Tax Rolls

### **DISTRICT INDEBTEDNESS**

#### ***Constitutional Requirements***

The State Constitution limits the power of the District (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the District and its obligations.

**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 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 or, in the alternative, the weighted average period of probable usefulness of the object or purpose as determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted. No installment may be more than fifty per centum in excess of the smallest prior installment unless the Board of Education provides for substantially level or declining debt service in the manner prescribed by the State Legislature. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

#### ***Statutory Procedure***

In general, the State Legislature has, by enactment of the Local Finance Law, authorized the power and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional and 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. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specification for such project have been approved by the Commissioner of Education of the State.

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

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

**Debt Limit.** Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

There is no constitutional limitation on the amount of real property taxes which may be levied in any fiscal year to pay the principal of and interest on the Bonds. Further, the New York Constitution prohibits the State Legislature from restricting the power of the District to levy real estate taxes for the payment of principal of and interest on indebtedness authorized and issued under the Local Finance Law issued prior to the effective date of any such legislation. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the District's power to increase its annual real property tax levy, including such taxes to pay the principal of and interest on certain obligation, not including the Bonds. See "Legal Matters," "Market Factors Affecting Financings of the State and School Districts of the State," and "New Tax Levy Limitation Law," herein.

### ***Statutory Debt Limit and Net Indebtedness***

The debt limit of the District is \$87,583,702 as of January 6, 2021. This is calculated by taking 10% of the current full value of the taxable real property of the District.

#### **Statutory Debt Limit and Net Indebtedness** **(as of January 6, 2021)**

Full Valuation of Taxable Real Property	\$875,837,018	
Debt Limit (10% of Full Valuation)		\$87,583,702
Outstanding Indebtedness (Principal Only):		
Bonds	16,735,000	
Bond Anticipation Notes	<u>0</u>	
Gross Indebtedness		16,735,000
Less: Exclusions		0
Total Net Indebtedness		<u>16,735,000</u>
Net Debt-Contracting Margin		<u>\$70,848,702</u>
Percentage of Debt-Contracting Margin Exhausted		<u>19.11%</u>

Source: District Officials.

### ***Bond Anticipation Notes***

The District currently does not have any bond anticipation notes outstanding.

### ***Tax and Revenue Anticipation Notes***

The District has not needed to issue tax or revenue anticipation notes in recent fiscal years. At this time the District has no plans to issue tax or revenue anticipation notes, or budget or deficiency notes.

### ***Trend of Capital Indebtedness***

The following table sets forth the amount of direct capital indebtedness outstanding at year-end for each of the last five fiscal years.

	<b><u>Direct Capital Indebtedness Outstanding</u></b>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bond Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bonds	<u>21,250,000</u>	<u>20,190,000</u>	<u>19,080,000</u>	<u>17,930,000</u>	<u>16,735,000</u>
Total	<u>\$21,250,000</u>	<u>\$20,190,000</u>	<u>\$19,080,000</u>	<u>\$17,930,000</u>	<u>\$16,735,000</u>

Source: District's Audited Financial Statements. This summary is not audited.

### ***Overlapping and Underlying Debt***

In addition to the District, other political units have the power to incur indebtedness payable from property taxes levied on property in the District. The table below sets forth both the total outstanding principal amount of debt issued by the District and the approximate magnitude of the burden on taxable property in the District of the debt instruments issued and outstanding by such other political units.

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of</u>	<u>District Share</u>	<u>Amount Applicable To District</u>
Orange County	\$278,172,331	03/20/20	2.31%	\$ 6,425,780
Town of Blooming Grove	2,899,700	05/15/20	0.35	6,741
Town of Chester	5,099,089	06/01/20	31.43	1,602,644
Town of Goshen	1,530,000	05/15/20	4.83	<u>73,899</u>
Total Net Overlapping Debt				<u>\$8,109,064</u>
Total Net Direct Debt				<u>\$16,735,000</u>
Net Direct and Overlapping Debt				<u>\$24,844,064</u>

Source: Data provided by County, Town Officials.

*(The remainder of this page has been intentionally left blank.)*



### ***Debt Ratios***

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

	<u>Amount</u>	<u>Debt Per Capita<sup>(1)</sup></u>	<u>Debt to Full Value<sup>(2)</sup></u>
Net Direct Debt	\$ 16,735,000	\$ 2,596.18	1.91%
Net Direct and Overlapping Debt	24,844,064	3,854.18	2.83

(1) The population of the District is estimated by District officials to be approximately 6,446.

(2) The District's full value of taxable real property for fiscal year 2020-2021 is \$875,837,018.

### ***Authorized and Unissued Indebtedness***

The District currently does not have any authorized but unissued debt.

### ***Debt Service Schedule***

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness, exclusive of the Bonds, for the fiscal years listed below.

#### **Bond Principal and Interest Maturity Table**

<u>Fiscal Year Ending June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2021	\$1,245,000	\$615,775	\$1,860,775
2022	1,290,000	565,975	1,855,975
2023	1,360,000	501,475	1,861,475
2024	1,430,000	433,475	1,863,475
2025	1,470,000	390,575	1,860,575
2026	1,515,000	346,475	1,861,475
2027	1,555,000	301,025	1,856,025
2028	1,635,000	223,275	1,858,275
2029	1,690,000	170,138	1,860,138
2030	1,745,000	115,213	1,860,213
2031	1,800,000	58,500	1,858,500
Totals	<u>\$16,735,000</u>	<u>\$3,721,901</u>	<u>\$20,456,901</u>

Source: Audited Financial Statements of the District. This summary is not audited.

## **ECONOMIC AND DEMOGRAPHIC DATA**

### ***Population***

The District estimates its population to be 6,446. The following entities and their population trends help to contribute to the District's current estimated population:

	<u>2000</u>	<u>2010</u>	<u>2019*</u>	<u>% Change 2000-2010</u>	<u>% Change 2010-2019</u>
Town of Blooming Grove	17,351	18,028	17,623	3.90%	-2.25%
Town of Chester	12,140	11,981	12,185	-1.31%	1.70%
Town of Goshen	12,913	13,687	14,246	5.99%	4.08%
County	341,367	372,813	384,940	9.21%	3.25%
State	18,976,457	19,378,102	19,453,561	2.11%	0.39%

\* Estimated

Source: U.S. Census Bureau; American Fact Finder.

### ***Income***

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the Towns and the Counties listed below. The figures set below with respect to such Towns and the County are included for informational purposes only. It should not be inferred from the inclusion of such data that the Towns or the County are necessarily representative of the District, or vice versa.

#### **Per Capita Income**

	<u>2006-2010</u>	<u>2014-2018</u>	<u>% Change</u>
Town of Blooming Grove	\$31,930	\$38,704	21.22
Town of Chester	38,236	31,843	-16.72
Town of Goshen	31,485	40,491	28.60
County	28,944	33,472	15.64
State	30,948	34,470	11.38

#### **Median Family Income**

	<u>2006-2010</u>	<u>2014-2018</u>	<u>% Change</u>
Town of Blooming Grove	\$94,811	\$121,064	27.69%
Town of Chester	100,899	108,775	7.81
Town of Goshen	102,243	120,034	17.40
County	82,480	93,694	13.60
State	67,405	80,419	19.31

### **Employment**

The following tables provide information concerning employment and unemployment in the County and State. Data provided for the County and State in the following tables is not necessarily representative of the Town or the District. Unemployment has drastically increased since mid-March due to the COVID-19 global pandemic. (See "Risk Factors" herein.)

**Average Employed Civilian Labor Force**

	<u>2000</u>	<u>2010</u>	<u>2018</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2019</u>
County	155,800	166,800	175,100	7.06	4.98
State	8,718,700	8,769,700	9,181,100	0.58	4.49

Source: New York State Department of Labor.

**Yearly Average Unemployment Rates**

<u>Year</u>	<u>County</u>	<u>State</u>
2015	4.7%	5.3%
2016	4.3	4.9
2017	4.5	4.7
2018	3.9	4.1
2019	3.8	4.0

Source: New York State Department of Labor statistics. Information not seasonally adjusted.

**Monthly Unemployment Rates**

<u>Month</u>	<u>County</u>	<u>State</u>
December	3.9%	3.7%
January 2020	4.1	4.1
February	4.1	3.9
March	4.1	4.2
April	15.7	15.1
May	11.9	14.2
June	12.6	15.5
July	13.7	16.0
August	10.4	12.5
September	6.3	9.3
October	6.4	9.2
November	5.4	8.1

Source: New York State Department of Labor statistics. Information not seasonally adjusted.

**End of Appendix A**

## **APPENDIX B**

### **UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS**

**CHESTER UNION FREE SCHOOL DISTRICT  
GENERAL FUND  
BALANCE SHEET  
UNAUDITED PRESENTATION**

AS OF JUNE 30:					
	2016	2017	2018	2019	2020
<b>ASSETS</b>					
Unrestricted Cash	\$ 3,350,642	3,903,914	3,215,581	5,167,127	3,850,148
Restricted Cash	1,945,438	2,261,236	2,261,236	2,053,552	2,053,575
Accounts Receivable	0	189,924	119,932	0	723,021
State and Federal Aid Receivable	574,862	662,946	524,601	500,805	519,427
Due From Fiduciary Funds	10,415	100,640	114,791	48,055	405,884
Due From Other Funds	35,747	107,770	1,410,659	1,245,069	1,784,403
Prepaid Expenditures	235,394	259,135	277,445	286,644	294,938
Total Assets	<u>6,152,498</u>	<u>7,485,565</u>	<u>7,924,245</u>	<u>9,301,252</u>	<u>9,631,396</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts Payable	\$ 470,002	530,424	748,127	1,340,158	1,470,371
Accrued Liabilities	30,758	360,455	521,923	52,682	106,484
Due To Other Funds	0	89,281	0	0	1,617,460
Due To Teacher's Retirement System	1,130,227	1,008,705	800,299	943,660	889,378
Due To Employees' Retirement System	50,173	50,173	49,747	49,747	49,747
Unearned Revenues	0	0	0	0	0
Total Liabilities	<u>1,681,160</u>	<u>2,039,038</u>	<u>2,120,096</u>	<u>2,386,247</u>	<u>4,133,440</u>
Fund Equity:					
Non-spendable	235,394	259,135	277,455	286,644	294,938
Restricted	1,945,438	2,261,236	2,261,236	2,053,552	2,053,575
Assigned	1,183,022	1,158,413	1,158,880	1,183,666	1,530,549
Unassigned	<u>1,241,064</u>	<u>1,767,743</u>	<u>2,106,588</u>	<u>3,391,143</u>	<u>1,618,794</u>
Total Equity	<u>4,604,918</u>	<u>5,446,527</u>	<u>5,804,159</u>	<u>6,915,005</u>	<u>5,497,856</u>
<b>Total Liabilities and Fund Equity</b>	<b>\$ <u>6,286,078</u></b>	<b>\$ <u>7,485,565</u></b>	<b>\$ <u>7,924,255</u></b>	<b>\$ <u>9,301,252</u></b>	<b>\$ <u>9,631,296</u></b>

The financial data presented on this page has been excerpted from the audited financial statements of the District. Such presentation, however, has not been audited. Complete copies of the District's audited financial statements are available upon request to the District.

**CHESTER UNION FREE SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
UNAUDITED PRESENTATION**

	AS OF JUNE 30:				
	2016	2017	2018	2019	2020
<b>REVENUES:</b>					
Real Property Taxes	\$ 13,786,387	14,178,685	15,246,067	15,992,015	16,990,623
Other Tax Items	2,779,381	2,788,018	2,025,704	2,076,132	1,946,963
Charges For Services	1,123,468	961,809	952,613	731,743	602,418
Use Of Money And Property	385,559	421,868	494,008	606,828	318,012
Sale Of Property And					
Compensation For Loss	1,919	2,192	8,047	1,159	237,928
Miscellaneous	261,619	403,713	320,145	864,755	207,137
State Aid	6,775,818	7,438,852	7,466,517	7,859,463	7,815,121
Federal Sources	21,987	3,512	32,341	88,439	67,007
<b>Total Revenues</b>	<b>25,136,138</b>	<b>26,198,649</b>	<b>26,545,442</b>	<b>28,220,534</b>	<b>28,185,209</b>
<b>EXPENDITURES:</b>					
Current:					
General Support	2,565,186	2,832,854	2,859,838	2,921,850	3,109,450
Instruction	14,038,541	14,426,527	14,512,482	14,547,307	16,233,334
Pupil Transportation	1,342,748	1,466,669	1,845,141	1,490,335	1,310,165
Employee Benefits	4,168,321	4,500,715	4,832,475	5,219,626	5,350,386
Debt Service	1,840,845	1,845,275	1,852,875	1,859,575	1,858,575
<b>Total Expenditures</b>	<b>23,955,641</b>	<b>25,072,040</b>	<b>25,902,811</b>	<b>26,038,693</b>	<b>27,861,910</b>
Excess of Revenues Over Expenditures	1,180,497	1,126,609	642,631	2,181,841	323,299
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers - In	0	0	0	0	0
Operating Transfers - Out	(2,618,224)	(285,000)	(285,000)	(1,070,995)	(1,740,448)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,618,224)</b>	<b>(285,000)</b>	<b>(285,000)</b>	<b>(1,070,995)</b>	<b>(1,740,448)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,437,727)	841,609	357,631	1,110,846	(1,417,149)
Fund Equity - Beginning of Year					
Prior Period Adjustment	6,042,645	4,604,918	5,446,528	5,804,159	6,915,005
<b>Fund Equity - End of Year</b>	<b>\$ 4,604,918</b>	<b>\$ 5,446,527</b>	<b>\$ 5,804,159</b>	<b>\$ 6,915,005</b>	<b>\$ 5,497,856</b>

The financial data presented on this page has been excerpted from the audited financial statements of the District.

Such presentation, however, has not been audited.

Complete copies of the District's audited financial statements are available upon request to the District.

CHESTER UNION FREE SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF ESTIMATED REVENUES AND APPROPRIATIONS

	Final Budget <u>2019-2020</u>	<u>Actual 2020</u>	Adopted Budget <u>2020-2021</u>
<b>ESTIMATED REVENUES:</b>			
Real Property Taxes	\$ 18,208,852	\$ 16,990,623	\$ 18,999,518
Other Tax Items	673,730	1,946,963	
Charges For Services	721,950	602,418	680,850
Use Of Money And Property	211,250	318,012	210,000
Sale of Property & Comp for loss	2,500	237,928	2,500
State Aid	7,768,413	7,815,121	8,550,484
Miscellaneous	270,100	274,144	270,100
<b>TOTAL ESTIMATED REVENUES</b>	<u>27,856,795</u>	<u>28,185,209</u>	<u>28,713,452</u>
<b>APPROPRIATIONS:</b>			
General Support	3,003,949	3,109,450	4,065,067
Instruction	16,327,018	16,233,334	15,373,431
Pupil Transportation	1,718,575	1,310,165	1,822,185
Employee Benefits	5,847,319	5,350,386	6,206,969
Debt Service	1,858,600	1,858,575	1,860,800
<b>TOTAL EXPENDITURES</b>	<u>28,755,461</u>	<u>27,861,910</u>	<u>29,328,452</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers - In	0		
Operating Transfers - Out	<u>1,736,102</u>	<u>1,740,448</u>	<u>285,000</u>
Total Other Financing Sources (Uses)	<u>1,736,102</u>	<u>1,740,448</u>	<u>285,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>30,491,563</u>	<u>29,602,358</u>	<u>29,613,452</u>
Excess (Deficit) Revenues Over Expenditures	(2,634,768)	(1,417,149)	(900,000)
Fund Equity - Beginning of Year	2,634,768	6,915,005	900,000
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Equity - End of Year</b>	<u>\$ 0</u>	<u>\$ 5,497,856</u>	<u>\$ 0</u>

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020\***

**CAN BE ACCESSED ON THE ELECTRONIC MUNICIPAL MARKET ACCESS  
("EMMA") WEBSITE  
OF THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB")  
AT THE FOLLOWING LINK:**

**<https://emma.msrb.org/P11538077.pdf>**

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

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



**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**

Chester Union Free School District,  
Orange County,  
State of New York

February 4, 2021

Re: Chester Union Free School District, Orange County, New York  
\$13,440,000 School District Refunding (Serial) Bonds, 2021

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$13,440,000 School District Refunding (Serial) Bonds, 2021 (the "Obligations"), of the Chester Union Free School District, Orange County, State of New York (the "Obligor"), dated February 4, 2021, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds, in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years 2022 to \_\_\_\_\_, both inclusive, and at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years \_\_\_\_\_ to \_\_\_\_\_, both inclusive, payable on April 15, 2021, October 15, 2021, and semi-annually thereafter on April 15 and October 15, and maturing in the amount of \$\_\_\_\_\_ on April 15, 2022, \$\_\_\_\_\_ on April 15, 2023, \$\_\_\_\_\_ on April 15, 2024, \$\_\_\_\_\_ on April 15, 2025, \$\_\_\_\_\_ on April 15, 2026, \$\_\_\_\_\_ on April 15, 2027, \$\_\_\_\_\_ on April 15, 2028, \$\_\_\_\_\_ on April 15, 2029, \$\_\_\_\_\_ on April 15, 2030, and \$\_\_\_\_\_ on April 15, 2031.

The Obligations are not subject to redemption prior to maturity.

We have examined:

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

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of

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

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

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

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

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

Very truly yours,

/s/ORRICK, HERRINGTON & SUTCLIFFE LLP