

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Bonds offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 14, 2019

REFUNDING BONDS

RATING:
(See “Rating” herein)

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. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

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

CITY SCHOOL DISTRICT OF THE CITY OF WATERVLIET ALBANY COUNTY, NEW YORK

\$10,510,000*

SCHOOL DISTRICT REFUNDING (SERIAL) BONDS - 2019 (the “Bonds”)

Date of Issue: Date of Delivery

Maturity Dates: December 1, 2019 - 2030
(as shown on the inside cover)

The Bonds are general obligations of the City School District of the City of Watervliet, Albany County, New York and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York [the “TAX LEVY LIMITATION LAW”], herein).

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as a nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases will 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 interest in the Bonds.

The Bonds are dated the date of delivery and will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable on the dates as shown on the inside cover of this Preliminary Official Statement, calculated on a 30-day month and 360-day year basis. Principal and interest will be paid by the District to the DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds will be subject to redemption prior to maturity, see “Optional Redemption” herein.

The Bonds are offered when, as, and if issued by the District subject to the receipt of the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hodgson Russ LLP, Buffalo, New York, Counsel to the Underwriter. Capital Markets Advisors, LLC will serve as Municipal Advisor to the District in connection with the issuance of the Bonds. It is expected that delivery of the Bonds will be made on the Date of Delivery, which is expected to be June 6, 2019.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE DISTRICT FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”). FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

DATED: May 14, 2019

* Preliminary, subject to change.

OPPENHEIMER & CO.

The Bonds mature on December 1 in each year as set forth below:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield Or Price</u>	<u>CUSIP Number**</u>
2019	\$ 75,000			942408
2020	1,025,000			942408
2021	1,075,000			942408
2022	1,140,000			942408
2023	1,200,000			942408
2024	1,255,000			942408
2025	880,000			942408
2026	935,000			942408
2027***	965,000			942408
2028***	975,000			942408
2029***	605,000			942408
2030***	380,000			942408

* Preliminary, subject to change.

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

*** The Bonds maturing on or after December 1, 2027 are subject to optional redemption prior to maturity. (See "THE BONDS -Optional Redemption" herein.)

**CITY SCHOOL DISTRICT OF THE CITY OF WATERVLIET
ALBANY COUNTY, NEW YORK**

Board of Education

Sheri Senecal
PRESIDENT

Heather Soroka Vice President

Amanda Cavanaugh..... Board Member

Stephen Hoffman Board Member

Mary Beth Whited Board Member

Dr. Lori S. Caplan..... Superintendent of Schools

Keith Heid..... School Business Manager

Bernadette Boardman.....District Clerk

BOND COUNSEL

ORRICK HERRINGTON & SUTCLIFFE, LLP
New York, New York

MUNICIPAL ADVISOR



Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier

No dealer, broker, salesman or other person has been authorized by the City School District of the City of Watervliet to give any information or to make any representations, other than those contained in this Preliminary Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized. This Preliminary 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 City School District of The City of Watervliet 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 Preliminary 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 City School District of the City of Watervliet since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Preliminary Official Statement. The Underwriter has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THE PRELIMINARY OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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PRELIMINARY OFFICIAL STATEMENT

Relating to

CITY SCHOOL DISTRICT OF THE CITY OF WATERVLIET ALBANY COUNTY, NEW YORK

\$10,510,000*

SCHOOL DISTRICT REFUNDING (SERIAL) BONDS - 2019

This Preliminary Official Statement (the "Preliminary Official Statement"), which includes the cover page and appendices hereto, presents certain information relating to the City School District of the City of Watervliet, Albany County, New York (the "District," the "County" and "State," respectively). It has been prepared by the District in connection with the sale of its \$10,510,000* School District Refunding (Serial) Bonds - 2019 (the "Bonds").

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

THE BONDS

Description

The Bonds will be dated the date of delivery and will mature in the principal amounts in each of the years and will bear interest at the rates shown on the inside cover page hereof.

Interest on the Bonds will be payable on December 1, 2019 and semi-annually thereafter on June 1 and December 1 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein under "PAYMENT OF AND SECURITY FOR THE BONDS – Book-Entry-Only System."

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of DTC who will act as securities depository for the Bonds. Individual purchases will 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 interest in the Bonds.

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

Authority for the Bonds

The Bonds are issued pursuant to the Constitution and Laws of New York State, including among others, Education Law and Local Finance Law and a refunding bond resolution duly adopted by the Board of Education of the District (the "Board") on April 18, 2019.

The Bonds will be sold to the Underwriter listed on the cover page at a price below the public offering of the Bonds plus accrued interest, if any (See "UNDERWRITING" herein).

* Preliminary, subject to change.

Purpose of the Bonds

The Bonds are being issued to refund the \$11,510,000 aggregate outstanding principal amount of the District’s School District Serial Bonds, 2012 issued on January 25, 2012. Details concerning the Refunded Bonds are presented in the schedule below. Proceeds of the Bonds will be used to: (i) purchase a portfolio of direct obligations of the United States of America (the “U.S. Government Obligations”), the principal of and investment income of which will be sufficient to pay the maturing principal of, interest on and redemption premium payable, if any, with respect to the Refunded Bonds, and (ii) pay costs of issuance related to the Bonds. The list of Refunded Bonds, 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 maturity thereof will be refunded.

A portion of the Bonds is being issued to refund the outstanding principal of the School District Serial Bonds, 2012 as listed below:

Maturity	Coupon	Maturity Value	Call Date	Call Price	CUSIP BASE
09/01/2020	2.250%	\$ 885,000	09/01/2019	100.00%	942408 DU6
09/01/2021	2.250%	910,000	09/01/2019	100.00%	942408 DV4
09/01/2022	2.250%	940,000	09/01/2019	100.00%	942408 DW2
09/01/2023	2.500%	970,000	09/01/2019	100.00%	942408 DX0
09/01/2024	3.000%	1,000,000	09/01/2019	100.00%	942408 DY8
09/01/2025	3.000%	1,040,000	09/01/2019	100.00%	942408 DZ5
09/01/2026	3.000%	1,075,000	09/01/2019	100.00%	942408 EA9
09/01/2027	3.125%	1,120,000	09/01/2019	100.00%	942408 EB7
09/01/2028	3.250%	1,150,000	09/01/2019	100.00%	942408 EC5
09/01/2029	3.250%	1,185,000	09/01/2019	100.00%	942408 ED3
09/01/2030	3.500%	<u>1,235,000</u>	09/01/2019	100.00%	942408 EE1
		\$11,510,000			

Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the District’s Refunding Financial Plan (the “Refunding Financial Plan”). The Refunding Financial Plan calls for the refunding of the Refunded Bonds through the sale, issuance and the application of the proceeds of the Bonds.

The proceeds of the Bonds after the payment of the issuance costs for the Bonds, will be held in an escrow fund (the “Escrow Deposit Fund”) with Manufacturers and Traders Trust Company, Buffalo, New York (the “Escrow Holder”) pursuant to the terms of an escrow contract (the “Escrow Contract”) to be entered into between the District and the Escrow Holder.

The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Escrow Contract, to provide to DTC sufficient moneys from the Escrow Deposit Fund to pay the principal of, interest payable with respect to Refunded Bonds when due, and redemption premiums, if any, in accordance with the terms of the Refunded Bonds.

The holders of the Refunded Bonds will have a first lien on all cash in the Escrow Deposit Fund. The Escrow Contract shall terminate upon payment from the Escrow Deposit Fund of an amount sufficient for the payment, in full, of the Refunded Bonds, including interest, and redemption premiums, if any, payable with respect thereto.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from the sources mentioned above. However, inasmuch as the cash held in the Escrow

Deposit Fund shall be sufficient to meet all required payments of the principal of and interest payable and redemption premiums with respect to the Refunded Bonds, it is not anticipated that other sources of payment will be required. Accordingly, for purposes of presentation in this Preliminary Official Statement, debt service on the Refunded Bonds is not taken into account in determining the funds and revenues available for payment of the Bonds.

Verification of Mathematical Accuracy

Causey Demgen & Moore, P.C. will verify, from the information provided to them, the mathematical accuracy as of the date of the closing for the Bonds of the computations contained in the schedules provided to them in order to determine that the anticipated receipts from the U.S. Government Obligations investment securities and cash deposits, if any, listed in the purchaser's schedules, to be held in the Escrow Deposit Fund, will be sufficient to pay, when due, the principal of and interest requirements of the Refunded Bonds. Causey Demgen & Moore, P.C. will express no opinion on the assumptions provided to them, nor as to the taxation of the interest on the Bonds.

Sources and Uses of Proceeds

The proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	
Reoffering Premium	_____
	=====
Application:	
Deposit to Escrow Deposit Fund	
Underwriter's Discount	
Cost of Issuance and Contingency	_____
	=====
Total	=====

Optional Redemption

The Bonds maturing on or before December 1, 2026 will not be subject to redemption prior to maturity.

The Bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity, at the option of the District, on any date on or after December 1, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity, at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The District may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the District shall determine to be in the best interest of the District at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the District at random (by lot or in any other 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 owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the designated redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call notice, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Book-Entry-Only System

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 and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all 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.

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 Money Market Instruments (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).

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 in such issue to be redeemed.

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 as applicable.

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

NATURE OF OBLIGATION

Each of the Bonds 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.

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

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor as amended (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 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 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.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept For School Districts. In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a

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

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each 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. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

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

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

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

MARKET FACTORS

The financial and economic 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 and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

There can be no assurance that the State appropriation for State aid to the District 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 therefor. 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 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 therefor. (See “State Aid” and “Events Affecting New York School Districts” herein).

Should the District fail to receive monies expected from the State in the amounts and at the times expected, the District is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

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 of the Bonds. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

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

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, school districts, including the District, and fire districts in the State could have an impact upon operations of the District and as a result, the market price for the Bonds. (See “Tax Levy Limitation Law,” herein.)

LITIGATION

General. 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 legal counsel to 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.

Tax Certiorari Claims. The District is also a party to various tax certiorari proceedings instituted under Article 7 of the Real Property Tax Law. In these actions, taxpayers claim that their current real property assessment is excessive and ask that such assessment be reduced. Generally, tax claims request a refund of taxes applicable to the alleged over assessment. Claims of this nature are filed continuously and some cases may not be settled for several years or more. It is not unusual for certain taxpayers to have multiple pending claims affecting a period of years.

It is not possible to estimate the outcome of all pending tax certiorari cases. Tax certiorari claims are frequently settled for amounts substantially less than the original claims. In addition, settlements sometimes provide for reduced assessments in future years rather than a refund of taxes previously paid. The District maintains a tax certiorari reserve which had a balance of \$30,000 at June 30, 2018. Pursuant to State law, the District has designated its tax certiorari reserve for the settlement of specific claims including certain large items. At a minimum, the District must redesignate this reserve every three years otherwise moneys therein revert to the District's general fund. The District may also finance tax settlements by issuing debt pursuant to provisions set forth in the Local Finance Law.

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 the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity 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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, 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 individual 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 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 exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect an 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.

Legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, certain legislative proposals in recent years have been made that would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Tax reform legislation presently under consideration in Congress.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 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.

Certain legal matters will be passed upon for the Underwriter by Hodgson Russ LLP, of Buffalo, New York, Counsel to the Underwriter.

DISCLOSURE UNDERTAKING

This Preliminary Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Bonds, the District will provide an executed copy of its undertaking to provide continuing disclosure certificate (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds. 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,

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated May 21, 2019 of the District relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "The District", "Financial Factors", "Real Property Taxes", "District Indebtedness" and "Economic and Demographic Data" and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended June 30, 2019, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for

the preceding fiscal year, commencing with the fiscal year ended June 30, 2019; such audit (prepared in accordance with the accounting principles the District may be required to employ pursuant to State law or regulation), if any, 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 an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bond holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

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

With respect to event (iv) 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 (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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.

With respect to events (xv) and (xvi), the term “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 provide notice of the occurrence of certain other events, in addition to those listed above, if it 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 event except those events listed above; and

(3) in a timely manner, notice of a failure to provide the annual financial information and operating data and such audited financial statement by the date specified.

The District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in consultation with nationally recognized bond counsel in a manner consistent with Rule 15c2-12, as amended.

Prior Disclosure History

Certain municipal bond insurance companies have had a variety of ratings changes over the past five years. The District filed event notices for these changes on EMMA on June 16, 2014. On July 22, 2013, Standard & Poor's Ratings Services lowered its school issuer credit rating on Watervliet City School District, N.Y.'s outstanding general obligation debt one notch to 'A-' from 'A'. The event notice for the rating change was filed on November 18, 2014. The District is in compliance with all prior undertakings pursuant to the Rule for the past five years.

UNDERWRITING

The Bonds are being purchased for reoffering by the Underwriter, Oppenheimer & Co. The Underwriter will purchase all of the Bonds, if any are purchased, at a price equal to \$_____, being the par amount of the Bonds, plus a premium of \$_____, less an Underwriters' discount of \$_____. The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the inside cover page, but the Underwriters may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the inside cover page hereof and the public offering yields may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the District in connection with this transaction.

In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

RATING

S&P Global Ratings ("S&P") has assigned underlying rating to the District's bonded debt, including the Bonds, of "A"

This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of each of this rating may be obtained only from the rating agency. There is no assurance that this rating will be maintained for any given period of time or will not be raised, lowered or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any of this rating may have an adverse effect on the market price of the Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the District's Business Administrator, Keith Heid (518) 629-3203 e-mail: kheid5@vlietschools.org or from Capital Markets Advisors, LLC, Orchard Park, New York 14127, (716) 662-3910 and also available at www.capmark.org.

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

Capital Markets Advisors, LLC may place a copy of this Preliminary Official Statement on its website at www.capmark.org. Unless this Preliminary Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Preliminary 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.

This Preliminary 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.

CITY SCHOOL DISTRICT OF THE CITY OF WATERVLIET, NEW YORK

By: /s/ Sheri Senecal
Sheri Senecal
President of the Board of Education and
Chief Financial Officer

DATED: May 14, 2019

APPENDIX A

THE DISTRICT

General Information

The District, with an estimated population of 11,061, with an area of approximately 1.4 square miles, is located in the City of Watervliet and a portion of the Town of Colonie in Albany County.

The District is served by major highways, including New York State Routes 9R, 32, 470 and 787, as well as the New York State Thruway. Bus service is provided by the Capital District Transportation Authority. Air transportation is available at the Albany International Airport, five miles southwest of the District.

The District is primarily residential with a mixture of commercial and industrial sectors. Approximately 500 people work at the Watervliet Arsenal, which remains the city's leading employer; others work in state offices in Albany and other areas throughout the capital district. Operated by the U.S. Army and occupying more than 140 acres on the Arsenal Business & Technology Campus, the Watervliet Arsenal is the nation's oldest and only manufacturing facility of large-caliber cannon munitions capable of producing large volumes. The facility also houses the U.S. Army's Benet Laboratories, which conducts much of the products' research, development, and testing. Many residents commute to Albany, Schenectady and Troy for employment.

Water and sewer services are provided by the City of Watervliet, as are police and fire protection. Telephone service is provided by Verizon, while electricity and natural gas are provided by National Grid Power Corporation.

The District provides public education for grades K-12. Opportunities for higher education abound within a ten-mile radius; Rensselaer Polytechnic Institute, Russell Sage College and State University of New York at Albany are just a few of the many colleges and universities in the Albany/Troy area.

Banking facilities for the District residents are provided by Bank of America, Pioneer Bank and Key Bank.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education, which consists of five members including the President and Vice President. The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by such Board, include the Superintendent of Schools, School Business Manager and District Clerk.

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 operational financial functions of the District are the responsibility of the Superintendent of Schools and the School Business Manager.

District Facilities

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

TABLE 1
School Statistics

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year Built</u>
Watervliet Elementary	K-6	850	1956
Watervliet Jr./Sr. High	7-12	800	1935

Source: District Officials.

Employees

The District provides services with 192 full-time employees, all of which are represented by the following organizations.

TABLE 2
Employees

<u>Number Of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
123	Watervliet Teachers' Association (NYSUT)	6/30/2026
59	Watervliet Support Staff Association (NYSUT)	6/30/2026
11	Watervliet Administrators Association	6/30/2019

Source: District Officials

Employee Pension Benefits

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

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

Both the ERS and the TRS (together, the "Retirement Systems") are non-contributing with respect to members hired prior to July 27, 1976. The Retirement Systems are non-contributory with respect to members working ten or more years except for Tiers V and VI as described below. Employees hires on or after April 1, 2013 have a variable contribution amount. See further details herein.

The following table details the actual contributions to ERS and TRS for the past three audited fiscal years the current fiscal year budgeted contributions.

<u>Year</u>	<u>TRS</u>	<u>ERS</u>
2018-2019 <i>Budgeted</i>	\$1,042,000	\$183,000
2017-2018	925,445	225,658
2016-2017	1,079,802	218,100
2015-2016	1,159,674	289,977

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such

employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete.

Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On December 10, 2009, pension reform legislation was signed into law. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age of which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38 percent for any civilian who retires prior to age 62.
- Requiring employees to continue contributing three percent of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from five years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15 percent of non-overtime wages.

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

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

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

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much was required to be paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) 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 make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

The New York State ERS rate for the 2017-18 fiscal year was 15.3%. The New York State TRS rate for the 2017-18 fiscal year was 9.80%. The 2018-19 TRS rate is 10.62%.

In recent years, due to prior poor performance of the investment portfolio of the State Retirement System in the wake of the 2008-09 recession, New York State Comptroller Thomas DiNapoli announced that the employer contribution rates for required pension contributions to the SRS would continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. Under such legislation, local governments and school districts that choose to amortize a portion of their ERS contributions will be required to set aside

and reserve funds with the SRS for certain future rate increases. The District did not opt into the pension amortization plan.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The plan, which was approved in Governor Cuomo’s 2016-17 budget would let districts contribute 14.13% of employee costs toward pensions. The District has not opted into the pension smoothing plan.

The TRS SCO deferral plan is available to school districts. 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, 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.

Other Post-Employment Benefits

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

Effective June 30, 2018, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement requires the District to recognize the total OPEB liability and related deferred outflows and deferred inflows of resources. The cumulative effect of implementing this required change in accounting principle resulted in a restatement of beginning net position as detailed in Note 2 to the financial statements. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures and required supplementary information.

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

The District is in compliance with the requirements of GASB 75, and a summary of the actuarial valuation is included in the District’s June 30, 2018 Financial Audit attached herein. The following table summarizes the District’s annual OPEB statements for the year ended June 30, 2018:

The table below shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Total OPEB Liability	<u>2018</u>
Service Cost	\$1,334,681
Interest	1,809,743
Changes of assumptions or other inputs	(2,561,023)
Benefit payments	<u>(1,337,977)</u>
Net change in total OPEB liability	(744,576)
Net OPEB liability – beginning of year	<u>\$51,220,456</u>
Net OPEB liability – end of year	<u>\$50,475,880</u>

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The District continues funding the expenditure on a pay-as-you-go basis.

Investment Policy/Permitted Investments

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

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

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

FINANCIAL FACTORS

District finances are operated through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. The District derives the bulk of its annual revenues from a tax on real property and from State Aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Property Tax Revenue

The District derives a significant portion of its revenues from a tax on real property. Property taxes and tax items accounted for 25.6% of total general fund revenues for the fiscal year ended June 30, 2018.

The following table sets forth total general fund revenues and real property tax and tax item revenues collected during the last five fiscal years ended June 30th and budgeted for the current fiscal year.

Table 3
Real Property Taxes and Tax Items

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Real Property Taxes and Tax Items</u>	<u>Real Property Taxes to Revenues</u>
2014	\$23,264,950	\$6,475,000	27.8%
2015	25,021,103	6,645,140	26.6%
2016	25,711,329	6,771,382	26.3%
2017	26,142,803	6,726,998	25.7%
2018	26,548,016	6,791,193	25.6%
2019 <i>Budget</i>	27,411,000	6,930,000	25.3%
2020 <i>Proposed Budget</i>	28,187,000	7,996,000	28.4%

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

State Aid

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

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

Table 4
State Aid

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2014	\$23,264,950	\$15,910,000	67.7%
2015	25,021,103	17,088,825	68.3%
2016	25,711,329	17,820,541	69.3%
2017	26,142,803	18,337,547	70.1%
2018	26,548,016	18,614,625	70.1%
2019 <i>Budget</i>	27,411,000	19,034,000	69.4%
2020 <i>Proposed Budget</i>	28,187,000	19,080,000	67.7%

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

In addition to the amount of State Aid budgeted by the District in its 2019-20 fiscal year, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR (see “STAR-School Tax Exemption”) Program. The District expects to receive timely receipt of STAR aid for the current fiscal year.

The Gap Elimination Adjustment (“GEA”) law was first introduced for the 2010-11 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since the program began, the GEA and Deficit Reduction Assessment reduction in State aid for the District has amounted to approximately \$701,536 annually. As a result, the District has been forced to reduce

programs, services, and staff accordingly. Beginning in the 2014-15 fiscal year, the State made modest restorations to the GEA. In the 2014-15 fiscal year, the GEA was reduced by \$345,833, dropping the total GEA to \$355,703. In the 2015-16 fiscal year, it has been further reduced by \$338,297, yielding a remaining GEA of \$17,406. In the 2016-17 fiscal year, the GEA was eliminated.

The Smart Schools Bond Act was passed as part of the Enacted 2014-15 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$1,441,614.

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The 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 could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor.

No delays in payment of State aid for the District's 2019-20 fiscal year is presently anticipated, although no assurance can be given that there will not be a delay in payment thereof. Should the District fail to receive monies expected from the State in the amounts and at the times expected, the District is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

Recent Events Affecting New York School Districts

School district fiscal year (2012-13): The State Legislature adopted the State budget on March 30, 2012. The budget included an increase of \$751 million in State aid for school districts.

School district fiscal year (2013-14): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$1.0 billion in State aid for school districts.

School district fiscal year (2014-15): The State Legislature adopted the State budget on April 1, 2014. The budget included an increase of \$807 million in State aid for school districts totaling \$21.88 billion in State aid for New York school districts.

School district fiscal year (2015-16): The State Legislature adopted the State budget on April 1, 2015. The budget provides for school aid of approximately \$23.5 billion, which represents an increase of approximately \$1.3 billion, or 7.4%, in total school aid spending from the 2014-15 school year. The budget continues a three-year appropriation methodology established in the 2011-12 State fiscal year and limits future school aid increases to growth as measured by the total personal income of residents of the State.

School district fiscal year (2016-17): The State Legislature adopted the State budget on March 31, 2016. The budget includes an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consists of traditional operating aid. In addition to the \$408 million of expense based aid, the budget includes a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase includes \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The budget includes School Aid spending of \$24.8 billion, a \$1.5 billion increase (6.5% increase) from the prior fiscal year.

School district fiscal year (2017-18): Governor Cuomo presented his Executive Budget for the fiscal year 2017-2018 to the public on January 17, 2017. The Executive Budget allocates \$961 million in State Aid to school districts. The Executive Budget recommends that Foundation Aid be increased by \$428 million. The Governor's proposal essentially replaces the foundation aid formula with a new formula based on prior

year aid plus a base increase and a community schools aid increase for districts with failing or persistently failing schools or a concentration of English language learners. The Executive Budget sets aside \$50 million of the Foundation Aid increase to be used for community schools, putting the total amount set aside for community schools at \$150 million. The Executive Budget also allocates \$22 million to be used to create a new tier of Charter School Transitional Aid to reimburse school districts for tuition payments made to charter schools. The Governor also proposes that the State allocate an additional \$35 million for public after-school programs in the State's 16 Empire State Poverty Reduction Initiative communities, which would bring the total funding of these programs to \$100 million annually. In addition, the Executive Budget includes a \$5 million increase to expand prekindergarten programs in high need school districts. Preference for these funds will be given to high need districts which currently do not have prekindergarten programs.

School district fiscal year (2018-19): The State Legislature adopted the state budget on March 30, 2018. The budget increased Education Aid by \$1 billion, including a \$619 million increase in Foundation Aid, without revision to the formula, bringing the new Education Aid total to \$26.7 billion or an increase of 3.9 percent.

For the 2019-20 school year, the Executive Budget recommends a total of \$27.69 billion for School Aid, a year-to-year funding increase of \$956 million or 3.6 percent. The Executive Budget will provide additional funding for Foundation Aid, including increased set aside funding for Community Schools. However, Governor Cuomo has stated that the State is facing a large (approximately \$2.8 billion) revenue shortfall in its current fiscal year that has rendered his Executive Budget "untenable."

The State budget for the 2019-20 fiscal year provides \$20.14 million of State Aid to the District, a 2.57% increase from the District's 2018-19 fiscal year.

The School District presently anticipates an increase in its State Aid not related to building aid for its 2019-2020 fiscal year in an amount of \$408,376.

It should also be noted that the School District receives federal aid for certain programs. In its last audited fiscal year, the School District received \$11,043 in such direct federal aid. It is not possible to predict whether such aid will continue in the future, or if continued, whether it will be funded at present levels.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District's 2019-20 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

The State Comptroller's Fiscal Stress Monitoring System

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

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

FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report, for 2018, of the State Comptroller designates the District as “No Designation,” with a fiscal score of 15% and an environmental score of 26.7% (See <https://www.osc.state.ny.us/localgov/fiscalmonitoring/schools/pdf/2018/summary-list.pdf>.)

New York State Comptroller’s Audit

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

On November 7, 2014, OSC, Division of Local Government and School Accountability released an audit of the District to review the District’s financial condition from July 1, 2011 through March 31, 2014. The audit found that the District did not adopt realistic budgets, did not have a fund balance policy, did not properly monitor the District’s capital project, and did not have a multiyear financial plan. The District is currently working to remedy these issues. (See <https://osc.state.ny.us/localgov/audits/schools/2014/watervliet.htm>.)

The OSC has not conducted any other audits of the District in the past 5 years.

Budgetary Procedure

The District’s fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District’s financial plan and enrollment projection are reviewed and updated and the first draft of the next year’s proposed budget is developed by the central office staff. During winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors. Under current law, the budget is submitted to voter referendum on the third Tuesday in May each year. A summary of the District’s budgets for 2015 and 2016 is shown in Appendix B.

The qualified voters of the District approved the District’s 2018-19 budget on May 15, 2018. The District did not exceed the tax cap in 2018-19 budget.

Independent Audit

The financial statements of the District are audited each year by an independent certified public accounting firm. The last such audit covers the fiscal year ended June 30, 2018 and is included herein.

TAX INFORMATION

Real Property Tax Assessments and Rates

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 City of Watervliet. Assessment valuations are determined by the City assessor and the State Office of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Office of Real Property Services annually establishes state equalization rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations. See, however, the discussion under the sub-heading — “Tax Levy Limitation Law,” herein.

Table 5
Real Property Tax Assessments and Special Equalization Rates
(Fiscal Years Ending June 30)

Tax Rate Year	2014	2015	2016	2017	2018
Fiscal Year Ending	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City of Watervliet					
Assessed Value	\$391,251,264	\$396,844,175	\$388,333,683	\$383,610,936	\$387,236,738
Equalization Rate	100.00%	100.00%	100.00%	100.00%	95.00%
Full Value	\$391,251,264	\$396,844,175	\$388,333,683	\$383,610,936	\$407,289,012
Town of Colonie					
Assessed Value	\$40,413,190	\$40,301,824	\$40,734,394	\$41,069,935	\$41,551,370
Equalization Rate	68.26%	67.18%	67.60%	68.19%	64.25%
Full Value	\$59,204,791	\$59,990,807	\$60,257,979	\$60,228,677	64,671,393
Total:					
Assessed Value	\$431,664,454	\$437,145,999	\$429,068,077	\$424,680,871	\$428,788,108
Full Value	\$450,248,621	\$456,330,262	\$448,680,933	\$445,370,237	\$471,960,405

Source: District Officials

Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year for purpose of payment of debt service heretofore contracted. (But see “Tax Levy Limitation Law” herein.)

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City). The discussion herein does not include school districts in New York City, Buffalo, Rochester, Syracuse, or Yonkers.

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

The Tax Levy Limitation Law now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-13 fiscal year.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first

approve a budget by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget. It should be noted that the permissible amount of increase for the District's 2014-15 budget year is likely to be less than 2 percent (based on the prevailing low rate of inflation).

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

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

While the Tax Levy Limitation Law may constrict a school district's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of the Tax Levy Limitation Law (June 24, 2011), it is clear that no statute is able (1) to limit a school district's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit a school district's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a school district authority to treat debt service payments as a constitutional exception to any such statutory tax levy limitation is not clear.

Real Property Tax Rebate (Chapter 20)

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

Under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. However, for many taxpayers only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law.

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

Tax Collection Procedure

Taxes are collected, without penalty, through the month of September.

All delinquent taxes are turned over to the County Treasurer on or about November 15 for collection and in addition to the above penalties, a 5% collection fee is charged.

STAR - School Tax Exemption

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

For the 2019-20 school levy year, homeowners subject to certain household income limitations are eligible for an enhanced exemption and basic exemption as follows:

	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>
City of Watervliet	\$65,270	\$28,500
Town of Colonie	44,140	19,280

Date Certified: 04/09/2019

The enhanced or basic STAR exemption is the amount that an assessment will be reduced prior to the levy of school taxes. For example, if a home is assessed at \$150,000 and the enhanced STAR exemption for a municipality is \$50,000, the school taxes on the property would be paid on a taxable assessment of \$100,000 (\$150,000 - \$50,000 = \$100,000).

Since the 2011-12 school tax bills, there has been a 2% limit on STAR savings increases, the savings results from the Basic or Enhanced STAR exemptions are limited to a 2% increase over the prior year. When a school district initially calculates their tax bills, for each municipal segment they will compare the amount of STAR savings to the maximum. If the STAR savings exceeded the maximum, the school district will use the maximum when calculating tax bills for the segment.

The maximum savings for each of the municipalities for the 2019-20 fiscal year are as follows:

	<u>Enhanced Maximum Savings</u>	<u>Basic Maximum Savings</u>
City of Watervliet	\$464	\$930
Town of Colonie	441	884

Updated: 04/09/19

The District expects to receive full reimbursement of such exempt taxes from the State during the 2019-20 fiscal year.

Largest Taxpayers for the 2018-19 Fiscal Year

The following table presents the taxable assessments of the District’s largest taxpayers for the 2018-19 fiscal year.

Table 6
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of District Tax Base ⁽¹⁾</u>
HM Highland Club, LLC	Apartments	\$11,300,000	2.64%
National Grid	Utilities	10,452,703	2.44%
Elmwood Associates	Apartments	6,700,000	1.56%
PCP Watervliet, LLC	Industrial	5,200,000	1.21%
CALEAST Nat. City Stations	Industrial	4,800,000	1.12%
Saint-Gobain Abrasives, Inc.	Industrial	4,200,000	0.98%
Village 1, LLC	Apartments	3,000,000	0.70%
Niagara Mohawk Power Corp.	Utility	2,770,608	0.65%
Watervliet Partners of AL	Commercial	2,400,000	0.56%
Stewart’s Shops Corp.	Commercial	<u>2,300,000</u>	<u>0.54%</u>
	Total:	<u>\$53,123,311</u>	<u>12.39%</u>

(1) The District's total assessed value for the 2018-19 fiscal year was \$428,788,108 which represents 12.39% of the tax base of the District.

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

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

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

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific

constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See “Nature of Obligation” and “Tax Levy Limitation Law” herein.

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

Statutory Procedure

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

The 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. The District is not permitted to spend in excess of \$100,000, with respect to certain school building construction projects, 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 and the twenty day period will expire prior to the date of the closing on 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 such bonds to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit and Net Indebtedness

The table below show the District’s statutory debt limit and net indebtedness as of May 14, 2019.

**Table 7
Computation of Debt Limit**

<u>Fiscal Year Ending:</u>	<u>Full Valuation</u>
2015	\$450,248,621
2016	456,330,262
2017	448,680,933
2018	445,370,237
2019	<u>471,960,405</u>
Total Five Year Valuation	<u>\$2,272,590,458</u>
Average Five Year Full Valuation	<u>\$454,518,092</u>
Debt Limit - 5% of Average Full Valuation	<u>\$ 22,725,905</u>

Table 8
Statutory Debt Limit and Net Indebtedness

Debt Limit (5% of Average Full Valuation)	\$22,725,905
Inclusions:	
Outstanding Indebtedness:	
Serial Bonds	<u>\$31,050,000</u>
Total Inclusions:	<u>\$31,050,000</u>
Exclusions ⁽¹⁾	
Appropriations	<u>1,740,000</u>
Total Exclusions:	<u>\$1,740,000</u>
Total Net Indebtedness	<u>\$29,310,000</u>
Net Debt-Contracting Margin ⁽²⁾	<u>\$(6,584,095)</u>
Percentage of Debt-Contracting Margin Exhausted	<u>128.97%</u>

- (1) The District has received and expects to continue to receive State Aid on a portion of existing indebtedness contracted for school building purposes pursuant to Section 121.20 of the Local Finance Law, but, under the Local Finance Law, as a small city school district, it is not permitted to deduct such anticipated State building aid from its outstanding indebtedness. However, as a matter of information, State aid for building purposes is currently estimated by District officials at 91.3%.
- (2) The District requested and received a consent order of the Board of Regents and the State Comptroller, dated April 22, 2010 and November 8, 2012 to issue bonds and/or bond anticipation notes exceeding the debt limit in an amount not to exceed \$21,745,000 and \$18,950,000, respectively, for school buildings and additions for the projects approved by the qualified voters of the District on December 18, 2007 and December 20, 2011, respectively.

Source: District Officials.

Trend of Outstanding Indebtedness

The Table below shows the District's outstanding indebtedness over the last five fiscal years.

Table 9
Debt Outstanding

Fiscal Year Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$28,145,000	\$39,450,000	\$36,945,000	\$34,435,000	\$31,890,000
BANs	10,450,000	0	0	0	0
RANs	0	0	0	0	0
TANs	<u>3,500,000</u>	<u>3,500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$42,097,014	\$42,950,000	\$36,945,000	\$34,435,000	\$31,890,000

Source: District Officials.

Bond Anticipation Notes

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

Revenue Anticipation Notes and Tax Anticipation Notes

The District does not currently have any tax or revenue anticipation notes outstanding.

Overlapping and Underlying Debt

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

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

Table 10
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt</u> <u>Outstanding</u>	<u>As of:</u>	<u>District</u> <u>Share</u>	<u>Amount</u> <u>Applicable</u> <u>To District</u>
County of Albany:	\$271,783,940	03/22/2018	1.90%	\$5,163,895
City of Watervliet:	7,841,701	11/08/2018	100.00%	7,841,701
Town of Colonie:	74,485,525	02/20/2018	0.68%	<u>506,502</u>
Total Net Overlapping Debt				\$13,512,097
Total Net Direct Debt				<u>\$29,310,000</u>
Net Direct and Overlapping Debt				<u>\$42,822,097</u>

Source: Recent Official Statements and Disclosure Documents.

Debt Ratios

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

Table 11
Debt Ratios

	<u>Debt Per</u> <u>Amount</u>	<u>Debt Per</u> <u>Capita</u> ^(a)	<u>Debt to</u> <u>Full Value</u> ^(b)
Net Direct Debt	\$29,310,000	\$2,650	6.21%
Net Direct and Overlapping Debt	\$42,822,097	\$3,871	9.07%

(a) The population of the District is estimated by District officials to be approximately 11,061.

(b) The District's full value of taxable real property based on special equalization rates for 2018-19 is \$471,960,405.

Obligations Authorized but Unissued

The District does not have any authorized but unissued indebtedness.

Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding long term indebtedness as of May 14, 2019.

**Table 12
Principal and Interest Maturity Table**

FYE June 30	Principal	Interest ^(a)	Total
2019	\$1,740,000	\$315,158	\$2,055,158
2020	2,630,000	929,530	3,559,530
2021	2,215,000	866,394	3,081,394
2022	2,275,000	802,030	3,077,030
2023	2,340,000	734,861	3,074,861
2024	2,410,000	663,776	3,073,776
2025	2,100,000	586,031	2,686,031
2026	2,185,000	515,396	2,700,396
2027	2,265,000	441,866	2,706,866
2028	2,350,000	364,666	2,714,666
2029	2,430,000	282,339	2,712,339
2030	2,225,000	196,298	2,421,298
2031	1,860,000	113,581	1,973,581
2032	650,000	70,875	720,875
2033	675,000	48,125	723,125
2034	700,000	24,500	724,500
	<u>\$31,050,000</u>	<u>\$6,955,426</u>	<u>\$38,005,426</u>

Source: District Officials.

^(a) On August 6, 2013 the District issued \$5,000,000 of Qualified School Construction Bonds (Direct Payment Bonds) for which the District is expected to receive the full interest subsidy from the US treasury Requirement, subject to a sequestration reduction of 6.2% as presently determined by the U.S. Office of Management and Budget. Whether the full interest subsidy will ultimately be received, or the extent of any sequestration legislation over time cannot be determined at this time. The District is obligated to make all payments of principal of and interest on these bonds whether or not such direct federal subsidy payments are received until final maturity on June 15, 2030. The table above reflects the full payment of interest due by the District.

ECONOMIC AND DEMOGRAPHIC DATA

School Enrollment Trends

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

**TABLE 13
School Enrollment Trends**

Fiscal Year	Actual Enrollment	Fiscal Year	Projected Enrollment
2016-2017	1,380	2019-2020	1,400
2017-2018	1,385	2020-2021	1,400
2018-2019	1,400	2021-2020	1,400

Source: District Officials.

Largest Employers

TABLE 14
Largest Employers

<u>Business</u>	<u>Type</u>	<u>Approx. # of Employees</u>
Watervliet Arsenal	US Government	500
Norton Company	Manufacturer	400
Watervliet CSD	Education	300
City of Watervliet	Local Government	100

Population

The population of the District is 11,061 according to District officials. The following table presents population trends based upon recent census data which is not necessarily representative of the District.

TABLE 15
Population Trend

	<u>2000</u>	<u>2010</u>	<u>Percentage Change</u>
Albany County	294,565	304,204	3.3%
State	18,976,457	19,378,102	2.1%

Source: US Census

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the County and the State and are not necessarily representative of the District.

TABLE 16
Civilian Labor Force
(Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Albany County	157.2	158.4	158.3	157.9	158.8
State	9,529.4	9,561.9	9,557.1	9,561.4	9,574.7

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

TABLE 17
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2014	4.9%	6.3%
2015	4.3%	5.3%
2016	4.1%	4.8%
2017	4.2%	4.7%
2018	3.7%	4.1%

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

TABLE 18
Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
March 2018	4.4%	4.8%
April	4.0%	4.3%
May	3.5%	3.7%
June	4.0%	4.2%
July	3.9%	4.2%
August	3.8%	4.4%
September	3.4%	3.8%
October	3.1%	3.6%
November	3.1%	3.5%
December	3.3%	3.9%
January 2019	3.8%	4.6%
February	3.7%	4.4%

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

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.

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.

END OF APPENDIX A

APPENDIX B

**SUMMARY OF FINANCIAL
STATEMENTS AND BUDGETS**

City School District of the City of Watervliet
Statement of Budgeted Appropriations and Estimated Revenues
General Fund
Fiscal Year Ending June 30:

	Adopted	Proposed
	<u>2019</u>	<u>2020</u>
<u>Estimated Revenues:</u>		
Real Property Taxes and Other Tax Items	\$6,930,000	\$7,996,000
Non-Property Tax Items	325,000	335,000
Charges For Services	49,000	28,000
Payments in Lieu of Taxes	186,000	200,000
Interest and Penalties on Taxes	33,000	31,000
Interest and Earnings	25,000	16,000
Miscellaneous	210,000	190,000
State Aid	19,034,000	19,080,000
Federal Sources	319,000	311,000
Appropriated Fund Balance	<u>300,000</u>	
Total Estimated Revenues:	<u><u>27,411,000</u></u>	<u><u>28,187,000</u></u>
 <u>Estimated Appropriations:</u>		
General Support	\$2,100,000	\$2,131,000
Instruction	13,783,000	14,596,000
Public Safety and Transportation	1,111,000	1,313,000
Employee Benefits	6,793,000	6,508,000
Debt Service	3,579,000	3,569,000
Interfund Transfers	45,000	70,000
Total Appropriations:	<u><u>\$27,411,000</u></u>	<u><u>\$28,187,000</u></u>

Source: Adopted Budgets of the District. This summary table itself has not been audited.

City School District of the City of Watervliet
Comparative Balance Sheet
General Fund
Fiscal Year Ending June 30:

	<u>2017</u>	<u>2018</u>
<u>Assets:</u>		
Unrestricted Cash	\$1,676,806	\$1,377,288
Restricted Cash	286,254	286,054
Federal and State Aid	984,414	886,017
Due from Other Funds	411,790	406,334
Due from other Governments	369,612	389,583
Total Assets	<u>\$3,728,876</u>	<u>\$3,345,276</u>
 <u>Liabilities:</u>		
Accounts Payable	\$581,780	\$160,274
Accrued Liabilities	4,043	5,951
Due to Other Funds	3,348	0
Due to Teachers' Retirement Systems	1,154,490	996,996
Due to Employees' Retirement System	55,707	56,010
Total Liabilities	<u>1,799,368</u>	<u>1,219,231</u>
 <u>Fund Balances:</u>		
Restricted	286,254	286,254
Assigned	150,000	300,000
Unassigned	1,493,254	1,539,991
Total Fund Equity	<u>1,929,508</u>	<u>2,126,245</u>
 Total Liabilities and Fund Equity	 <u>\$3,728,876</u>	 <u>\$3,345,476</u>

Source: Audited Financial Statements of the District, although this summary table itself has not been audited.

City School District of the City of Watervliet
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Fiscal Year Ending June 30:

Revenues:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Real Property Taxes	\$6,476,780	\$6,645,140	\$6,771,382	\$6,726,998	\$6,791,193
Other Tax Items	178,618	192,076	133,092	130,645	229,014
Nonproperty Taxes	386,608	373,444	325,377	333,116	338,233
Charges for Services	37,048	47,897	40,461	42,587	39,355
Use of Money and Property	2,143	34	42	40,352	16,523
Miscellaneous	290,758	362,550	292,287	254,500	191,422
State Sources	15,790,471	17,088,825	17,820,541	18,337,547	18,614,625
Medicaid reimbursement	95,859	95,413	116,622	69,974	126,631
Interest subsidy for QSCB	0	0	201,068	195,982	189,977
Federal Sources	6,665	215,724	10,457	11,102	11,043
	<u>23,264,950</u>	<u>25,021,103</u>	<u>25,711,329</u>	<u>26,142,803</u>	<u>26,548,016</u>
Total Revenues					
Expenditures:					
General Support	1,726,764	1,607,964	1,714,820	1,792,878	1,836,050
Instruction	11,632,450	12,199,435	12,245,665	12,816,125	13,367,927
Pupil Transportation	1,208,232	1,307,572	1,225,696	1,226,235	1,247,368
Employee Benefits	5,873,425	6,037,972	6,329,950	6,181,881	6,268,278
Debt Service	2,571,384	3,445,961	2,856,311	3,624,635	3,591,765
	<u>23,012,255</u>	<u>24,598,904</u>	<u>24,372,442</u>	<u>25,641,754</u>	<u>26,311,388</u>
Total Expenditures					
Excess (Deficit) Revenues over Expenditures	252,695	422,199	1,338,887	501,049	236,628
Other Uses:					
Interfund Transfers in	0	0	0	3,488	3,401
Interfund Transfers out	(41,360)	(48,953)	(218,071)	(12,112)	(43,292)
	<u>(41,360)</u>	<u>(48,953)</u>	<u>(218,071)</u>	<u>(8,624)</u>	<u>(39,891)</u>
Total Expenditures and Other Uses:					
Excess (Deficit) Revenues over Expenditures and Other Financing Sources:	211,335	373,246	1,120,816	492,425	196,737
Fund Balance - Beginning of Fiscal Year	(268,314)	(56,979)	316,267	1,437,083	1,929,508
Fund Balance - End of Fiscal Year	<u>(\$56,979)</u>	<u>\$316,267</u>	<u>\$1,437,083</u>	<u>\$1,929,508</u>	<u>\$2,126,245</u>

Source: Audited Financial Statements of the District, although this summary table itself has not been audited.

APPENDIX C

**INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**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/ER1178815-ER921360-ER1322009.pdf>

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

*** Such Financial Statements and opinion are intended to be representative only as
of the date thereof. Teal, Becker & Chiaramonte 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.**