

NEW AND RENEWAL ISSUE

BOND ANTICIPATION NOTES

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

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

WAPPINGERS CENTRAL SCHOOL DISTRICT DUTCHESS AND PUTNAM COUNTIES, NEW YORK

\$51,366,368

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

Date of Issue: August 13, 2019

Maturity Date: August 13, 2020

The Notes are general obligations of the Wappingers Central School District, Dutchess and Putnam Counties, New York (the "District"), 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 Notes 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. (See "Nature of Obligation" and "Tax Levy Limitation Law," herein.)

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form, and at the option of the purchaser, the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company ("DTC") as book-entry notes.

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in federal funds by the District to the registered owner(s). The successful bidder(s) will act as or name a paying agent, as an expense thereof.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination which is or includes \$6,368. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in federal funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein.)

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as otherwise agreed with the purchaser(s) on or about August 13, 2019.

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

Dated: July 31, 2019

**WAPPINGERS CENTRAL SCHOOL DISTRICT
DUTCHESS AND PUTNAM COUNTIES, NEW YORK**

BOARD OF EDUCATION

John LumiaPresident
Keith Odums Vice President
Marie Johnson.....Trustee
Peggy Kelland.....Trustee
Michael LopezTrustee
Lina RappaportTrustee
Robert Rubin.....Trustee
Eddy A. SloshowerTrustee
James Spencer.....Trustee

DISTRICT OFFICIALS

Jose Carrion Superintendent of Schools
James Drohan..... School District Attorney
Kristen Crandall..... Assistant Superintendent for
Finance & Business Development
Alberta PedroDistrict Clerk

BOND COUNSEL

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

MUNICIPAL ADVISOR



**Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(845) 227-8678**

No person has been authorized by the Wappingers Central School District to give any information or to make any representations not contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Wappingers Central School District.

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OFFICIAL STATEMENT

**WAPPINGERS CENTRAL SCHOOL DISTRICT
DUTCHESS AND PUTNAM COUNTIES, NEW YORK**

relating to

**\$51,366,368
BOND ANTICIPATION NOTES, 2019 SERIES B
(the “Notes”)**

This Official Statement (the “Official Statement”), which includes the cover page and appendices hereto, presents certain information relating to the Wappingers Central School District, in Dutchess and Putnam Counties, in the State of New York (the “District,” “Counties,” and “State,” respectively), in connection with the sale of \$51,366,368 Bond Anticipation Notes, 2019 Series B (the “Notes”).

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

THE NOTES

Description

The Notes will be dated and will mature as reflected on the cover page hereof.

The Notes will not be subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form registered to Cede & Co., as the partnership nominee for DTC. The District will act as the Paying Agent for the Notes. The District contact information is as follows: Kristen Crandall, Executive Director for Finance & Business Development, 25 Corporate Park Drive, Hopewell Junction, NY 12533, (845) 298-5000 Extension 40150, e-mail: kristen.crandall@wcsdny.org.

Authority for and Purpose of the Notes

The Notes are issued pursuant to the State Constitution and statutes of the State, including among others, the Education Law and the Local Finance Law, and various bond resolutions adopted by the Board of Education on various dates for the issuance of serial bonds to pay the cost of capital improvements and buses as indicated below.

The Notes are being issued for capital items and projects which constitute “Capital Local Expenditures” pursuant to Chapter 97 of the Laws of 2011. As a result, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property with the District without limitation as rate or amount. (See “*Nature of Obligation*” and “*Tax Levy Limitation Law*,” herein.)

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

A portion of the proceeds from the sale of the Notes in the amount of \$29,069,328, together with \$986,451 in available funds, will be used to redeem \$30,055,779 in outstanding bond anticipation notes at maturity. The balance of the proceeds from the sale of the Notes will be used to provide \$22,297,040 in original financing for various purposes as described below. Details of the Notes are summarized in the table below.

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Outstanding</u>	<u>Principal Paydown</u>	<u>New Money</u>	<u>Amount of The Notes</u>
06-06-16	Various Facilities Improvements	\$26,438,896	\$180,659	\$ 0	\$26,258,237
07-05-17	Purchase of Buses	1,648,307	412,077	0	1,236,230
07-09-18	Purchase of Buses	1,968,576	393,715	0	1,574,861
07-09-18	Various Facilities Improvements	0	0	20,000,000	20,000,000
07-02-19	Purchase of Buses	0	0	2,297,040	2,297,040
		<u>0</u>	<u>0</u>	<u>2,297,040</u>	<u>2,297,040</u>
Totals		<u>\$30,055,779</u>	<u>\$986,451</u>	<u>\$22,297,040</u>	<u>\$51,366,368</u>

Book-Entry-Only System

If book-entry-only format is chosen, the Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes if issued as book-entry-only Notes. Such Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for each note bearing the same rate of interest and CUSIP and deposited with DTC.

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

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited,

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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

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

Source: The Depository Trust Company

THE 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 NOTES OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEOWNERS.

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

INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

NATURE OF OBLIGATION

Each Note 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 Notes 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 (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 Notes 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 noteholders 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.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “New Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are affected indirectly by applicability to their respective City.)

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

Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020 unless extended; recent legislation made it permanent. 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 tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and 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, therefore such limitation is applicable to the Notes.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. The suit alleged that the Tax Levy Limitation Law arbitrarily caps property tax levy increases and perpetuates funding inequities between affluent and low-wealth school districts. The suit further alleged that the tax cap unconstitutionally limits the ability of school districts and their taxpayers to address these inequities by exercising substantial local control. Among seven causes of action, the suit also alleges that the Tax Levy Limitation Law unconstitutionally interferes with fundamental voting rights in violation of the principle of "one person, one vote." On May 5, 2016 the Appellate Division upheld a lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". NYSUT then appealed to the Court of Appeals. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also "State Aid" for a discussion of the New Yorkers for Students' Educational Rights v. State of New York case which included a challenge to the supermajority requirements regarding school district property tax increases.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept For School Districts. In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the

State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

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

General Municipal Law Contract Creditors' Provision. The Notes 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 Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the 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 noteholders, 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 Notes could be affected by a variety of factors, some of which are beyond the District’s control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to the Districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available 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 Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a 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 Notes and other debt issued by the District. Any such future legislation could have an adverse effect on the market value of the Notes (See “*Tax 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 Notes. (See “Tax Levy Limitation Law,” herein.)

Cybersecurity

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

THE STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM AND COMPLIANCE REVIEWS

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller (“OSC”) 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 of the State Comptroller designates the District as “No Designation.” For the fiscal year ended June 30, 2018, the District received a Fiscal Score of 0.0 and an Environmental Score of 10.0.

See the State Comptroller’s official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

The financial affairs of the District are subject to periodic compliance reviews by OSC to ascertain whether the District has complied with the requirements of various State and federal statutes. A report reviewing fuel accountability in the District for the period July 1, 2013 to November 6, 2014 was made available on August 28, 2015. See “*Independent Audits – State Audits*,” herein. The complete report can be obtained from OSC’s website.

LITIGATION

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

Various property owners have filed certiorari claims under Article 7 of the Real Property Tax Law. These taxpayers assert that their property values, as presently determined, are excessive and request assessment reductions and, in most actions, a refund of property taxes previously paid. It is not possible to provide an estimate of the District's ultimate financial exposure but historically tax certiorari settlements have resulted in assessment reductions and related tax refunds for amounts less than the original claim. For the fiscal years ended June 30, 2018, as of June 1, 2019, the District has paid tax refunds of \$394,502. The District has been made aware of a number of settled tax certiorari proceedings by counsel for area towns, according to the District's Attorney, the District currently has sufficient funds budgeted to pay these refunds. Therefore, it is not anticipated these refunds will have a material, adverse financial impact on the District.

The District is involved in an impartial hearing where tuition reimbursement is being requested. One hearing determination has been issued, with a finding of liability for one year's tuition; it is anticipated that the Board will be appealing the determination. Potential financial exposure on both hearings, in the event of an adverse result, could be in the range of \$150,000. It is not anticipated, at this time, that unfavorable outcomes of the hearings would result in any material adverse financial impact to 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 Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes 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 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A 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 Notes. The District has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or 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 Notes 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 Notes may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax

consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

Prospective purchasers of the Notes 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 Notes 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.

DISCLOSURE UNDERTAKING

This 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 Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Certain Material Events" (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 Notes, to provide, or cause to be provided, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

- (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 Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Security calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, 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" (as defined in the "Rule") of the District, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect bondholders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the District, if any such event reflects financial difficulties.

The District has been advised of the new disclosure rules pertaining to “financial obligations” as defined in the Rule. Existing standard operating procedures of the District include initiation, oversight, and tracking of such “financial obligations” by the chief fiscal officer. Appropriate disclosure filings within the required timeframe is part of an existing contract with the District’s financial advisor, acting in the capacity of dissemination agent of the District.

Event (iii) is included pursuant to a letter from 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 Notes.

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 Notes.

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.

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 Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. 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 Notes, 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 Notes.

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 then in effect.

Compliance History

The District made a late interest payment due on October 15, 2016 with respect to two series of bonds that had been refunded for amounts payable directly by the District. The late payment was the result of an administrative oversight, and not due to insufficient funds being available. A material event notice was filed by the District on October 25, 2016.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Hopewell Junction, 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 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 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 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 Notes.

RATING

The District did not apply for a rating of the Notes.

The District's underlying rating by Moody's Investors Service ("Moody's") is "A1."

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from Kristen Crandall, Executive Director for Finance & Business Development, 25 Corporate Park Drive, Hopewell Junction, NY 12533, (845) 298-5000 Extension 40150, e-mail: kristen.crandall@wcsdny.org or from the District's Municipal Advisor, Capital Markets Advisors, LLC, 822 Route 82, Suite 310, Hopewell Junction, New York 12533, (845) 227-8678.

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

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the MSRB. When used in District documents or oral presentations, the words "anticipate," "believe," "intend," "plan," "foresee," "likely," "estimate," "expect," "objective," "projection," "forecast," "goal," "will," or "should," or similar words or phrases are intended to identify forward-looking statements.

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

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

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

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

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

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

WAPPINGERS CENTRAL SCHOOL DISTRICT,
DUTCHESS AND PUTNAM COUNTIES, NEW YORK

By: _____
John Lumia
President of the Board of Education
and Chief Fiscal Officer

DATED: July 31, 2019

APPENDIX A

THE DISTRICT

THE DISTRICT

General Information

Wappingers Central School District was created in 1938 from the merger of fifteen union free and common school districts. Prior to 1973, the District was known as the Wappingers, Poughkeepsie, Fishkill, East Fishkill, LaGrange, Kent and Philipstown Central School District No. 1. In 1973, the District adopted its present legal name, the Wappingers Central School District.

The District, located approximately 70 miles north of New York City in the lower Hudson Valley, is situated in southwestern Dutchess County with a small portion in northwestern Putnam County. The District includes portions of the Towns of East Fishkill, Fishkill, LaGrange, Poughkeepsie and Wappinger in Dutchess County and Kent and Philipstown in Putnam County. The Villages of Fishkill and Wappingers Falls are also located within the District. The District encompasses an area of approximately 110 square miles.

The character of the District has been and remains suburban residential with some commercial activity. The majority of homes within the District are single-family residences. Commercial activity is primarily centered in shopping centers and malls. Previously the Dutchess County's largest private employer, International Business Machines ("IBM") transferred ownership of its East Fishkill site to GlobalFoundries during 2015. Several jobs at the site were reclassified due to recent enhancements in technology and a rise in automation. The County estimates IBM presently employs approximately 4,100 within its limits, which is down from 11,410 in 2008. Employment at GlobalFoundries is currently estimated at 2,500.

The District is served by a network of highways, which includes Interstate 84, the Taconic Parkway and State Routes 9 and 9D. Commuter rail passenger service is provided by the Metro-North a Division of the Metropolitan Transportation Authority. Amtrak provides long-distance rail passenger service at the nearby City of Poughkeepsie, while Conrail provides rail freight services.

Electricity and natural gas are provided throughout the District by the CH Energy Group, Inc. Water service is provided in certain areas of the District by the towns and villages, which also provide sanitary sewer services to certain areas. Water and sewer services are primarily supported by special assessments. Police protection is provided by the New York State Police, the Dutchess County Sheriff, the Putnam County Sheriff, and local police departments of certain towns and villages. Fire protection and ambulance service is provided by several volunteer fire departments located throughout the District.

The following commercial banks have offices located within the District: Bank of America; JPMorgan Chase Bank, NA; Citizens Bank; HSBC; M&T Bank; Mahopac National Bank and Wells Fargo Bank.

District Organization

The Wappingers Central School District is an independent entity governed by an elected board of education comprised of nine members. District operations are subject to the provisions of the State Education Law affecting school districts and other statutes applicable to the District.

Members of the Board of Education are chosen on a rotating basis by qualified voters at the annual election of the District (held the third Tuesday each May). The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. The Superintendent is the Chief Executive Officer of the School District and is an ex-officio member of the Board of Education with the right to speak on all matters before the Board but not to vote. It is the responsibility of the

Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. In addition, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Finance & Business Development.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the Chief Fiscal Officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, the Executive Director for Finance & Business Development and the District Clerk.

Financial Reporting Statements and Accounting Procedures

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

Budgetary Procedure

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

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

The voters approved the District's 2019-20 budget on May 21, 2019. See Appendix B for summaries of the District's 2018-19 and 2019-20 adopted budgets. The 2018-19 and 2019-20 adopted budgets of the District did not exceed the State imposed Tax Cap, however the 2014-15 budget did include an override (see "*Tax Levy Limitation Law*," herein).

School Enrollment Trends

Actual District Enrollment – Fiscal 2014 to 2018

<u>School Year</u>	<u>Grades K-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>	<u>Total Enrollment</u>
2014-15	4,662	2,706	4,043	11,411
2015-16	4,526	2,628	3,983	11,047
2016-17	4,526	2,574	3,826	10,934
2017-18	4,489	2,480	3,772	10,741
2018-19 (Projected)	4,348	2,408	3,601	10,357

Source: District Officials.

District Facilities

The District presently operates ten elementary schools, two junior high schools and two high schools:

	<u>Grades</u>	<u>State Rated Capacity</u>	<u>Original Construction</u>	<u>Years</u>
				<u>Addition or Renovation ⁽¹⁾</u>
Brinkerhoff Elementary	K-6	837	1963	1973,1989,1995,2007, 2013, 2015
Evans Elementary	K-6	621	1952	1955,1989,1995,2005, 2013
Fishkill Elementary	K-6	594	1908	1952,1955,1962,1989,1995,2002, 2003, 2013, 2014
Fishkill Plains Elementary	K-6	867	1956	1989,1995, 2013
Gayhead Elementary	K-6	1,188	1965	1989,1995,2004, 2013
Myers Corners Elementary	K-6	1,213	1967	1989,1995,1999,2004, 2013, 2015
Oak Grove Elementary	K-6	702	1963	1973,1989,1995,2004, 2013
Sheafe Road Elementary	K-6	837	1965	1973,1985, 1989,1995,2002,2004, 2013
Vassar Road Elementary	K-2	540	1957	1989,1995,2007, 2013
Kinry Road Elementary	3-6	621	1967	1989,1995, 2013
Van Wyck Junior High	7-8	1,663	1965	1973,1989,1995,2004, 2013, 2015
Wappingers Junior High	7-8	926	1938	1965,1989,1995, 2013
Ketcham High	9-12	1,836	1962	1968,1989,1995,2002,2004,2005, 2013
John Jay High	9-12	<u>1,941</u>	1969	1989,1995,1999,2002, 2013, 2015
Total School Capacity		<u><u>14,386</u></u>		

The District is presently in the process of completing a renovation project at various facilities and sites.

Source: District Officials.

Employees

Information on District employees, collective bargaining units, and labor contracts is shown below.

<u>Employees Represented</u>	<u>Union</u>	<u>Expiration Date</u>
889	Wappingers Congress of Teachers	June 30, 2021
340	Wappingers Federation of Workers	June 30, 2018 ⁽¹⁾
108	Civil Service Employees Association	June 30, 2021
69	Wappingers Cafeteria Association	June 30, 2019 ⁽¹⁾
15	Wappingers Administrators Association	June 30, 2019 ⁽¹⁾
23	Supervisory, Technical, Executive, Professional Staff (S.T.E.P.S.)	June 30, 2018 ⁽¹⁾
153	School Monitors	June 30, 2018 ⁽¹⁾
210	Teaching Assistants	June 30, 2018 ⁽¹⁾
26	Wappingers Registered Professional Nurses Assoc.	June 30, 2020

(1) Contract in negotiation.

Source: District Officials.

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

Employee Benefits

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

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

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

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

Due to prior poor performance of the investment portfolio of TRS and ERS, the employer contribution rates for required pension contributions to the TRS and ERS in 2011 and certain subsequent years have increased. To help mitigate the impact of such increases, legislation was enacted to permit school districts to amortize a portion of the contributions to the ERS only. Under such legislation, school districts that choose to amortize will be required to set aside and reserve funds with the ERS for certain future rate increases.

The District has not and does not reasonably expect to amortize such contributions.

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

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

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

The District has not and does not reasonably expect to participate in the ERS or TRS SCO program.

Retirement Billing Procedures

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

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

The amounts contributed to ERS and TRS for the fiscal years ended June 30, 2014 through 2018 and the amounts budgeted for 2019 and 2020 are as follows:

Fiscal Year Ended June 30:	TRS	ERS
2014	\$13,275,998	\$4,916,323
2015	13,395,057	4,456,946
2016	14,937,467	3,679,988
2017	11,664,616	3,610,117
2018	9,217,742	3,650,453
2019 (Budget)	9,518,313	3,917,328
2020 (Budget)	8,892,727	3,665,478

Source: The audited financial statements and adopted budgets (as indicated) of the District. The summary itself is not audited.

See also, “Note 8 - Notes to the Financial Statements” in the Audited Financial Statements as of and for the fiscal year ended June 30, 2018.

Other Post Employment Benefits

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

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

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

The District’s total OPEB liability as of June 30, 2018 was \$661,785,203 using a discount rate of 3.58% and actuarial assumptions and other inputs as described in the District’s June 30, 2018 audited financial statements.

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

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

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

Investment Policy

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

Authorized Investments. The District has designated three banks or trust companies which are located and authorized to conduct business in the State to receive deposits of money. The District is permitted to invest in special time deposits or certificates of deposit.

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

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

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The District's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection such deposits in the event of a default. Securities not registered or inscribed in the name of the District must be delivered, in a form suitable for transfer or with an assignment in blank, to the District or its designated custodial bank. The custodial agreements used by the District provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not,

under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

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

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

FINANCIAL FACTORS

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2018 is contained in Appendix B of this Official Statement. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds, bond anticipation notes and the use of funds reserved for capital improvements.

Real Property Taxes

The District derives a major portion of its revenues from a tax on real property (see “*Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund*” in Appendix B, herein). Chapter 97 of the Laws of 2011, as amended, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. (See “*Tax Levy Limitation Law*,” herein.)

The following table sets forth General Fund revenue and real property tax revenue during the last five audited fiscal years, and the amounts budgeted for the most recent and current fiscal years.

<u>General Fund Real Property Taxes</u>			
Fiscal Year Ended June 30:	General Fund Revenue ⁽¹⁾	Real Property Taxes ⁽²⁾	Real Property Taxes To Revenue (%)
2014	\$200,584,905	\$129,943,584	64.8%
2015	208,688,435	133,243,399	63.8
2016	210,181,369	141,013,724	67.1
2017	221,083,292	144,806,694	65.5
2018	225,402,457	146,874,518	65.2
2019 (Adopted Budget)	231,312,631	147,827,869	63.9
2020 (Adopted Budget)	234,950,988	151,566,033	64.5

(1) Exclusive of other financing sources.

(2) Does not include STAR reimbursement or PILOT payments. The budget amount for 2018-19 and 2019-20 real property taxes exclude \$13.4 million for estimated STAR reimbursements, which is based on the STAR applications for the 2018-19 fiscal year.

Source: The audited financial statements and adopted budgets (as indicated) of the District. The summary itself is not audited.

State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. Excluding other financing sources, State aid accounted for approximately 25.8% of General Fund revenue for the fiscal year ended June 30, 2018.

The following table sets forth General Fund revenue and State aid revenue during the last five audited fiscal years, and the amounts budgeted for the most recent and current fiscal years.

General Fund State Aid

<u>Fiscal Year Ended June 30:</u>	<u>General Fund Revenue ⁽¹⁾</u>	<u>State Aid</u>	<u>State Aid to Revenue (%)</u>
2014	200,584,905	45,835,590	22.9
2015	208,688,435	50,551,956	24.2
2016	210,181,369	50,178,494	23.9
2017	221,083,292	56,960,083	25.8
2018	225,402,457	60,523,139	26.9
2019 (Adopted Budget)	231,312,631	57,966,798	25.5
2020 (Adopted Budget)	234,950,988	58,043,010	24.7

(1) Exclusive of other financing sources.

Source: The audited financial statements and adopted budgets of the District. The summary itself is not audited.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (see “*STAR-School Tax Exemption*”). The District expects to receive timely STAR aid from the State for the current fiscal year in January 2020.

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

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

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

While the increases in State aid following this case have been targeted to high needs schools and other schools did share in the overall increase of State aid, the District is unable to predict whether this pattern of distribution will continue beyond that which is included in later legislation dealing with foundation aid. Increased State aid for New York City schools and other high needs schools may result in reductions in the future of State aid to certain school districts, including the District.

In any event, the outcome of this matter does not affect the validity of any obligations issued by the District, including the Notes, nor the ability of the District to levy taxes on the taxable real property in the District to pay the Notes and the interest thereon as the same shall become due and payable.

Events Affecting New York School Districts

The recent history of state aid to school districts in the State for the last five years is as follows:

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The budget included an increase of \$1.1 billion in State aid for school districts.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$5,327,266.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget includes an increase of \$1.4 billion in State aid for school districts that is tied to changes in the teacher evaluation and tenure process. School districts were required to obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

School district fiscal year (2016-2017): 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 Governor's 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.

School district fiscal year (2017-2018): The State's 2017-2018 Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, in keeping with the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the State 2017-18 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State's final education budget includes record support for schools of more than \$26 billion, including an increase of \$1 billion over last year. This four-percent increase continues the commitment of funding education at a rate higher than the growth of the rest of the budget. In addition, the State 2018-19 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

School district fiscal year (2019-2020): For the 2019-20 school year, the State's Enacted Budget includes a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases had been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019-20 Enacted

Budget continues to link school aid increases for 2019-20 and 2020-21 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also “*Market Factors*” herein).

Other Revenues

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

Independent Audits

Audited Financial Statements. The District retained the firm of Bonadio & Co. LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ended June 30, 2018. Appendix B, attached hereto, presents excerpts from the District’s most recent audited reports covering the last five fiscal years. However, the summary itself has not been audited or reviewed by the District’s independent auditor.

State Audits. In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State.

A report reviewing fuel accountability in the District for the period July 1, 2013 to November 6, 2014 was made available on August 28, 2015. Results of the audit and corresponding recommendations have been discussed with District officials and comments from the District have been included as a part of the audit report. Furthermore, the State audit report and subsequent recommendations reflect only the viewpoint of the State and are intended to be resources of the District. Full copies of the State audit may be obtained by visiting the Office of the State Comptroller’s official website.

See also, “*The State Comptroller’s Fiscal Stress Monitoring System and Compliance Reviews*,” herein. Additional information about State audits can also be obtained by visiting the by visiting the Office of the State Comptroller’s – Audits of Local Governments website. Reference to this website implies no warranty of accuracy of information therein.

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REAL PROPERTY TAXES

Real Property Tax Assessments and Rates

Real Property Tax Assessments and Rates Fiscal Year Ending June 30:

Assessed Valuation ⁽¹⁾ :	2015		2016		2017		2018		2019	
East Fishkill	\$3,008,144,338		\$3,021,478,210		\$3,316,199,741		\$3,335,923,160		\$3,398,306,512	
Fishkill	1,704,167,716		1,712,651,671		1,724,425,505		1,763,455,508		1,820,899,448	
Kent	6,612,973		6,756,923		6,731,298		6,711,204		6,946,394	
LaGrange	106,422,349		107,012,450		107,265,757		107,208,540		108,435,895	
Philipstown	1,089,589		1,111,001		1,113,307		1,113,644		1,113,663	
Poughkeepsie	1,197,974,236		1,197,988,692		1,204,027,009		1,205,927,429		1,225,316,669	
Wappinger	2,342,337,380		2,336,184,244		2,350,252,661		2,409,638,530		2,537,676,892	
Total Assessed Valuation	\$8,366,747,581		\$8,383,183,191		\$8,710,015,278		\$9,006,303,899		\$9,098,695,473	
State Equalization Rates:										
East Fishkill	100.00%		100.00%		100.00%		100.00%		100.00%	
Fishkill	100.00		100.00		100.00		100.00		100.00	
Kent	100.00		100.00		100.00		100.00		100.00	
LaGrange	100.00		100.00		100.00		100.00		100.00	
Philipstown	46.35		46.43		46.50		46.85		46.95	
Poughkeepsie	100.00		100.00		100.00		100.00		100.00	
Wappinger	100.00		100.00		100.00		100.00		100.00	
Full Valuation:										
East Fishkill	\$3,008,144,338		\$3,021,478,210		\$3,316,199,741		\$3,335,923,160		\$3,398,306,512	
Fishkill	1,704,167,716		1,712,651,671		1,724,425,505		1,763,455,508		1,820,899,448	
Kent	6,612,973		6,756,923		6,731,298		6,711,204		6,946,394	
LaGrange	106,422,349		107,012,450		107,265,757		107,208,540		108,435,895	
Philipstown	2,350,785		2,392,851		2,394,208		2,377,041		2,372,019	
Poughkeepsie	1,197,974,236		1,197,988,692		1,204,027,009		1,205,927,429		1,225,316,669	
Wappinger	2,342,337,380		2,336,184,244		2,350,252,661		2,409,638,530		2,537,676,892	
Total Full Valuation	\$8,368,009,777		\$8,384,465,041		\$8,711,296,179		\$8,831,241,412		\$9,099,953,829	
Total Tax Levy: ⁽²⁾	\$148,346,390				\$159,426,539		\$160,936,353		\$165,627,869	
Tax Rates Per \$1,000 Assessed Valuation:	H	NH	H	NH	H	NH	H	NH	H	NH
East Fishkill	\$16.31	22.20	\$16.50	22.41	\$16.68	22.85	\$16.62	22.69	\$16.64	22.68
Fishkill	16.34	22.20	16.53	22.44	16.70	22.91	16.64	22.95	16.64	22.90
Kent	17.16	22.05	17.28	22.29	17.47	22.79	17.42	22.76	17.43	22.63
LaGrange	16.29	22.05	16.42	22.29	16.62	22.80	16.61	22.66	16.60	22.63
Philipstown	34.36	47.57	34.66	47.75	35.02	49.06	34.64	48.34	34.64	47.62
Poughkeepsie	16.32	22.10	16.53	22.36	16.70	22.86	16.64	22.73	16.65	22.70
Wappinger	16.34	22.14	16.54	22.37	16.74	22.89	16.68	22.73	16.67	22.71

H = Homestead
NH = Nonhomestead

(1) Exempt properties are not included in the calculation of assessed values. If such properties were considered, the Districts 2018-19 assessed value would be \$9,274,804,650.

(2) Includes P.I.L.O.T. payments and STAR reimbursement.

Source: The District's Joint Statement of School Tax Levy and District officials.

Tax Collection Procedures

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of East Fishkill, Fishkill, LaGrange, Poughkeepsie, Wappinger, Kent and Philipstown. Assessment valuations are determined by the Town assessors and the State Office of Real Property Tax Services (the “ORPTS”) which is responsible for certain utility and railroad property. In addition, the ORPTS annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain state aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

The real property taxes of the District are levied by the District and collected by the Tax Receivers of the Towns of East Fishkill, Fishkill, LaGrange, Poughkeepsie and Wappinger, and by the Board Appointed Tax Collector for the Towns of Kent and Philipstown. Such taxes are due and payable on September 21 but may be paid through October 20 without penalty. Tax payments are subject to a 2% penalty from October 21 through November 10. On or before November 15, each Tax Receiver and the Board Appointed Tax Collector files a report of any uncollected taxes with the Counties. The Counties thereafter, on or before April 1, pay to the District the amount of its uncollected taxes. Thus, the full amount of the District's real property tax levy is collected by the District in the fiscal year of the levy. The Counties have the power to issue and sell tax anticipation notes in order to reimburse any uncollected taxes to the District.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

For 2018-19, District homeowners 65 years of age or older with qualifying income received a minimum “full value” exemption of ranging from \$83,590 to \$115,520. Other homeowners received a minimum “full value” exemption which ranged from \$37,540 in the Town of Philipstown to \$51,880 in the Town of Kent. Full value exemptions are based on housing values within the various assessing jurisdictions of the District as well as State equalizations rates. For the fiscal year ending June 30, 2020, the District has applied to the State for a STAR reimbursement of \$13.4 million for school taxes exempted by the STAR program. (See “*State Aid*” herein.)

Ten of the Largest Taxpayers

Larger Taxpayers 2015 Tax Roll (2015-16 Taxes)			
Taxpayer	Classification	Full Valuation	% of Total Full Valuation ⁽¹⁾
IBM	Computers & Manufacturing	\$ 276,000,000	3.29%
Central Hudson	Public Utility	161,909,770	1.93
Poughkeepsie Galleria	Shopping Mall	111,183,100	1.33
TGM Merritt Park LLC	Apartments	49,400,000	0.59
Consolidated Edison	Public Utility	44,887,849	0.54
South Hills Improvements LLC	Shopping Mall	28,000,000	0.33
Alpine Improvements LLC	Shopping Mall	23,500,000	0.28
Verizon	Public Utility	22,341,610	0.27
HP Coolidge LLC	Apartments	18,237,100	0.22
Samson Westage LLC	Shopping Mall	16,000,000	0.19
Total		<u>\$ 751,459,429</u>	<u>8.97%</u>

(1) The total full value for 2015-16 was \$8,383,183,191.

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

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, or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the periods of probable usefulness of the objects or purposes determined by statute or the weighted average period of probable usefulness thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having 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 its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital 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 and contracting indebtedness to prevent abuses in the exercise of such power; however, 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. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The law also provides a procedural method to override that limitation. (See "*The Tax Levy Limitation Law*" herein).

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law ("LFL"), 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 bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 until the plans and specifications of such project have been approved by the Commissioner of Education of the State.

The LFL also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Notes. The LFL limits the Districts statutory debt limit to 10% of the full value.

Statutory Debt Limit and Net Indebtedness

The following table presents the debt-incurring power of the District and shows that the District is within its constitutional debt limit.

**Statement of Debt Contracting Power
As of July 26, 2019**

Full Valuation of Taxable Real Property ⁽¹⁾	\$9,099,953,829
Debt Limit (10% of Full Valuation)	909,995,383
Outstanding Indebtedness:	
Serial Bonds ⁽²⁾	43,233,973
Bond Anticipation Notes	31,310,829
 Total Gross Indebtedness	 74,544,802
 Less Exclusions and Deductions ⁽³⁾	 -0-
 Total Net Indebtedness	 74,544,802
 Net Debt Contracting Margin	 \$835,450,581
 Percentage of Debt Contracting Margin Exhausted	 8.19%

- (1) As reported on the Joint Statement of School Tax Levy for the 2018-2019 Fiscal Year.
- (2) Exclusive of energy performance contract obligation (\$5,301,860 outstanding as of July 16, 2019).
- (3) The District estimates that it will receive approximately \$28.4 million of State school building aid for outstanding bonds and notes. Such estimate, however, has not been certified by the State and, therefore, no deduction has been taken to compute the District's debt limit. The District has no reason to believe that it will not ultimately receive all of the school building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to outstanding bonds and notes.

Short-Term Indebtedness

Pursuant to the Local Finance Law, the District is authorized to issue short-term indebtedness, in the form of notes as specified by such statute, to finance both capital and operating purposes.

Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted. Generally, bond anticipation notes are issued in anticipation of the sale of bonds at some future date and may be renewed from time to time up to five years from the date of the first note. Notes may not be renewed after the second year unless there is a principal payment on such notes from a source other than the proceeds of bonds. In no event, may bond anticipation notes be renewed after the sale of bonds in anticipation of which the notes were originally issued.

The District is also authorized by law to issue tax anticipation notes and revenue anticipation notes to provide cash to pay operating expenditures. Borrowings for these purposes are restricted by formulas contained in the Local Finance Law and Regulations issued under the U.S. Internal Revenue Code. Such notes may be renewed from time to time generally not beyond three years in the case of revenue anticipation notes and five years for tax anticipation notes. The District has generally not issued revenue anticipation notes, except for delays in State aid due to the lack of a timely State budget.

Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year.

Tax Anticipation Notes

<u>Fiscal Year</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
2014-15	\$6,000,000	07-10-14	10-31-14
2015-16	6,000,000	07-10-15	10-30-15
2016-17	5,000,000	09-02-16	10-31-16
2017-18	6,500,000	07-05-17	10-31-17
2018-19	6,000,000	07-25-18	10-15-18
2019-20	6,000,000	07-15-19	10-15-19

Bond Anticipation Notes

The District currently has the following bond anticipation notes outstanding.

<u>Purpose</u>	<u>Date of Original Issue</u>	<u>Current Maturity Date</u>	<u>Amount Currently Outstanding</u>
Various Facility Improvements ⁽¹⁾	09-01-17	08-14-19	\$ 26,438,896
Bus and Maintenance Vehicle Purchases ⁽¹⁾	09-01-17	08-14-19	1,648,307
Bus and Maintenance Vehicle Purchases ⁽¹⁾	Various	08-14-19	1,968,576
Total			\$ 30,055,779

(1) A portion of the proceeds from the sale of the Notes in the amount of \$29,069,328, together with \$986,451 in available funds, will be used to redeem these notes at maturity (see “*Authority for and Purpose of the Notes*” herein).

Energy Performance Contract Financing

The District entered into an energy performance contract financing in 2012 for a par amount of \$8,540,634. Annual payments in the amount of \$743,567 began on March 28, 2015 and will continue to be made on each March 28th through 2027. As of July 16, 2019, the energy performance contract had an outstanding principal balance of \$5,301,860.

Trend of Capital Indebtedness

The following table sets forth the total capital indebtedness outstanding at the end of each of the last five completed fiscal years.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019⁽¹⁾</u>
Bonded Indebtedness	\$22,080,000	\$18,720,000	\$15,640,000	\$48,070,000	\$44,004,314
Bond Anticipation Notes	43,710,716	41,030,090	43,321,860	17,325,645	30,055,779
Total Outstanding Indebtedness⁽²⁾	\$65,790,716	\$59,750,090	\$58,961,860	\$65,395,645	\$74,060,093

(1) Unaudited.

(2) Exclusive of refunded debt being paid through escrow, debt issued for operational purposes (Revenue Anticipation Notes, Tax Anticipation Notes), and energy performance contract lease purchase. See “*Energy Performance Contract Financing*,” herein.

Overlapping and Underlying Debt

In addition to the District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The estimated gross outstanding indebtedness (bonds and notes) of such political subdivisions, based on information furnished by such entities, but not independently verified, is as follows:

Statement of Direct and Overlapping Indebtedness As of July 26, 2019

Gross Direct Indebtedness	\$ 74,544,802
Exclusions and Deductions	<u>-0-</u>
Net Direct Indebtedness	<u>\$ 74,544,802</u>

Jurisdiction	As of Date	Net Indebtedness	Percent Applicable	Amount Applicable
County:				
Dutchess	03-16-19	\$154,300,000	28.46%	\$ 43,913,780
Putnam	06-28-19	52,963,125	0.07	37,074
Towns:				
East Fishkill	06-16-19	16,363,500	78.22	12,799,530
Fishkill	06-20-19	7,135,000	69.04	4,926,004
Kent	12-31-18	1,368,796	0.46	6,296
LaGrange	05-16-19	13,259,003	5.98	792,888
Philipstown	12-31-18	1,237,367	0.11	1,361
Poughkeepsie	04-02-19	37,342,951	33.72	12,592,043
Wappinger	06-20-19	13,511,739	92.39	12,483,495
Villages:				
Fishkill	12-31-18	7,614,458	100.00	7,614,458
Wappingers Falls	12-31-17	19,893,361	100.00	<u>19,893,361</u>
				<u>\$115,060,290</u>

Source: County officials, the Office of the State Comptroller and Official Statements obtained from the Municipal Securities Rulemaking Board.

Debt Ratios

The following table sets forth certain debt ratios relating to the District's indebtedness as of July 26, 2019.

	<u>Amount</u>	<u>Debt Per Capita ⁽¹⁾</u>	<u>Debt to Estimated Full Value ⁽²⁾</u>
Net Direct Debt	\$ 74,544,802	\$1,028.35	0.82%
Net Direct and Overlapping Debt	189,605,092	2,615.60	2.08

(1) The District's population is estimated at 72,490 for 2017 (US Census Bureau).

(2) The District's full valuation of taxable real estate for 2018-19 is \$9,099,953,829.

Recent Capital Financings and Authorized But Unissued Debt

Authorized But Unissued Debt And Future Borrowing Plans. The District has issued bond anticipation notes in connection with two bond resolutions related to purchasing buses. A portion of the proceeds from the sale of the Notes in the amount of \$2,811,091, together with \$805,792 in additional funds, will be used to redeem such notes for such bus purchases. A portion of the proceeds from the sale of the Notes in the amount of \$2,297,040 will provide additional original financing for such bus purchases. (See “*Authority for and Purpose of the Notes*” herein.)

On June 18, 2018, after voter approval, a resolution in the amount of \$38,822,560 was approved by the Board authorizing improvements to various schools. A portion of the proceeds from the sale of the Notes in the amount of \$20,000,000 will be used to provide original financing for such project. (See “*Authority for and Purpose of the Notes*” herein.)

On January 28, 2019, the Board approved a resolution in the amount of \$10,263,520 to fund the costs of a certain capital project to be undertaken by the Dutchess County Board of Cooperative Educational Services. The District issued \$1.2 million for such purposes on July 15, 2019. The District intends to issue additional funds in installments correlating to the cash flow needs of the project.

Recent Capital Financings. In December 2017, the District issued \$37.7 million in bonds to permanently finance outstanding notes that had been issued in connection with a Districtwide capital improvement project. The bonds sold at a true interest cost of 2.45% and mature serially on December 1st of each year through 2031. See above for a discussion of the District’s upcoming borrowing plans.

Debt Service Schedule

The following table presents the debt service requirements to maturity on the District's outstanding general obligation bonded indebtedness. However, energy performance lease obligations and refunded debt has been excluded.

Year Ending June 30:	Principal	Interest	Total Debt Service	% Cumulative Principal Paid
2020 ⁽¹⁾	\$5,820,341	\$1,334,770	\$7,155,111	13.23%
2021	5,598,973	1,142,841	6,741,814	25.95
2022	4,815,000	951,275	5,766,275	36.89
2023	3,100,000	808,100	3,908,100	43.94
2024	2,400,000	704,100	3,104,100	49.39
2025	2,480,000	630,900	3,110,900	55.03
2026	2,560,000	555,300	3,115,300	60.84
2027	2,645,000	477,225	3,122,225	66.86
2028	2,730,000	396,600	3,126,600	73.06
2029	2,820,000	313,350	3,133,350	79.47
2030	2,915,000	227,325	3,142,325	86.09
2031	3,010,000	138,450	3,148,450	92.93
2032	3,110,000	46,650	3,156,650	100.00%
	<u>\$44,004,314</u>	<u>\$7,726,886</u>	<u>\$51,731,200</u>	

(1) As of July 26, 2019, the District has paid \$770,341 in principal and \$31,051 in interest due on serial bonds for the fiscal year ending June 30, 2020.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following table sets forth population statistics for the District, the Counties and the State.

<u>Population</u>				
<u>Year</u>	<u>District</u>	<u>Dutchess County</u>	<u>Putnam County</u>	<u>State</u>
1990	63,000	259,462	83,941	17,990,455
2000	67,779	280,150	95,745	18,976,457
2010	73,132	297,488	99,710	19,378,102
2017 ⁽¹⁾	72,490	295,685	99,464	19,798,228

(1) Estimated information for 2017, District only

Source: The U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimates).

Income

The following table presents per capita money income statistics for all of the towns comprising the District, and comparative information for the Counties and State.

<u>Per Capita Money Income</u>	
<u>Unit</u>	<u>2017</u>
Town of East Fishkill	\$43,858
Town of Fishkill	38,148
Town of Kent	44,046
Town of LaGrange	46,480
Town of Philipstown	56,419
Town of Poughkeepsie	33,498
Town of Wappinger	36,968
Dutchess County	36,704
Putnam County	44,063
New York State	35,757

Source: The U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimates).

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Employment

Unemployment information is not available for the District per se. The smallest area for which such statistics are available, which includes the District, is the County of Dutchess. The data set forth above with respect to such County is included for information purposes only. It should not be implied from the inclusion of such data that the County is necessarily representative of the District or vice versa.

Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2014	5.3%	6.3%	6.2%
2015	4.5	5.3	5.3
2016	4.2	4.9	4.9
2017	4.3	4.7	4.4
2018	3.7	4.1	3.9
2019 ⁽¹⁾			
Jan	3.8	4.6	4.4
Feb	3.7	4.4	4.1
Mar	3.5	4.1	3.9
Apr	3.1	3.6	3.3
May	3.2	3.8	3.4

(1) Monthly Rates.

Source: The New York State and the US Departments of Labor.

Major Non-Government Employers in the County (1,000 or More Employees) ⁽¹⁾

<u>Name</u>	<u>Industry or Business</u>	<u>Estimated Number of Employees</u>
HealthQuest	Hospital	5,600
International Business Machine Corp.	Technology	4,100
GlobalFoundries	Manufacturing	2,500
Bard College	College	1,800
Mid-Hudson Regional Hospital	Hospital	1,800
Culinary Institute of America	College	1,500
Gap Inc.	Warehousing/Distribution	1,300
Marist College	College	1,300
Vassar College	College	1,100
Central Hudson Gas & Electric Corp.	Electric Services	1,000

(1) As of February 10, 2017.

Source: County Officials.

END OF APPENDIX A

APPENDIX B

UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

WAPPINGERS CENTRAL SCHOOL DISTRICT
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

	2014	2015	2016	2017	2018
ASSETS					
Cash And Equivalents	\$ 20,774,866	\$ 25,446,836	\$ 21,093,264	\$ 26,156,978	\$ 28,272,133
Restricted Cash	3,672	3,673	332,755	332,970	330,009
Due From Other Funds	5,671,698	4,676,802	6,875,271	4,513,785	2,722,386
Due From Other Governments	444,936	522,365	454,990	605,980	282,292
Receivables	291,518	257,476	16,430	16,000	33,712
State and Federal Aid	3,718,989	3,630,998	3,336,779	3,533,880	3,626,144
Prepaid Expenditures	631,111	2,749,827	2,981,230	3,439,334	3,665,156
Total Assets	\$ 31,536,790	\$ 37,287,977	\$ 35,090,719	\$ 38,598,927	\$ 38,931,832
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable & Accrued Liabilities	\$ 2,232,649	\$ 1,885,222	\$ 1,284,669	\$ 2,322,088	\$ 1,735,001
Due To Other Funds	266,459	6,048	0	225,651	1,037,752
Due To Other Governments	0	0	0	0	0
Due To Retirement System	15,146,674	16,554,219	13,325,169	12,168,034	10,651,622
Bond Anticipation Note	0	0	0	0	0
Unearned Revenues	384,192	11,042	4,957	34,080	78,105
Total Liabilities	18,029,974	18,456,531	14,614,795	14,749,853	13,502,480
Deferred Inflows of Resources:					
Deferred Excess State Aid	0	477,060	0	0	0
Fund Balance:					
Nonspendable:					
Restricted	631,111	2,749,827	2,981,230	3,439,334	3,665,156
Assigned	84,888	43,309	367,218	372,384	372,384
Unassigned	4,325,989	4,785,810	5,116,531	4,542,218	4,425,419
Total Fund Balance	8,464,828	10,775,440	12,010,945	15,495,138	16,966,393
Total Liabilities and Fund Balance	\$ 31,536,790	\$ 37,287,977	\$ 35,090,719	\$ 38,598,927	\$ 38,931,832

The financial data presented on this page has been excerpted from the audited financial statements of the District for the year ended June 30, 2014 through 2018. Such presentation, however, has not been audited. Complete copies of the District's audited financial statements are available upon request to the District.

WAPPINGERS CENTRAL SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

FOR THE FISCAL YEARS ENDED JUNE 30:

	2014	2015	2016	2017	2018
Revenues:					
Real Property Taxes	\$ 129,943,584	\$ 133,243,399	\$ 141,013,724	\$ 144,806,694	\$ 146,874,518
Other Tax Items (1)	22,648,427	22,424,878	16,557,162	16,133,636	15,636,883
Charges For Services	716,664	825,286	681,113	670,549	582,764
Use Of Money and Property	58,686	43,175	40,362	43,934	99,343
Sale Of Property and Compensation For Loss	126,405	208,948	239,475	212,558	165,972
Interfund Revenues	0	0	0	0	0
State Aid	45,835,590	50,551,956	50,178,494	56,960,083	60,523,139
Federal aid	132,581	232,167	356,654	498,177	441,279
Miscellaneous	1,122,968	1,158,626	1,114,385	1,757,661	1,078,559
Total Revenues	200,584,905	208,688,435	210,181,369	221,083,292	225,402,457
Expenditures:					
Current:					
General Support	17,394,860	16,975,635	17,120,232	18,338,493	17,742,843
Instruction	102,336,046	105,551,288	110,145,563	116,694,040	119,456,783
Pupil Transportation	12,208,168	12,083,145	11,864,114	12,540,341	12,864,244
Employee Benefits	58,559,283	62,317,493	60,718,421	60,684,408	64,376,584
Debt Service	1,274,672	1,264,652	1,630,798	1,593,133	1,917,556
Total Expenditures	191,773,029	198,192,213	201,479,128	209,850,415	216,358,010
Excess (Deficiency) of Revenues Over Expenditures	8,811,876	10,496,222	8,702,241	11,232,877	9,044,447
Other Financing Sources (Uses):					
Proceeds from Debt	0	0	0	0	0
Operating Transfers - In	25,746	23,603	20,873	22,916	1,577,775
Operating Transfers - Out (2)	(4,954,181)	(5,672,255)	(6,601,576)	(7,882,643)	(9,041,944)
Total Other Financing Sources (Uses)	(4,928,435)	(5,648,652)	(6,580,703)	(7,859,727)	(7,464,169)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,883,441	4,847,570	2,121,538	3,373,150	1,580,278
Net Increase (Decrease)	3,883,441	4,847,570	2,121,538	3,373,150	1,580,278
Fund Equity - Beginning of Year	9,623,375	13,506,816	18,354,386	20,475,924	23,849,074
Adjustments	0	0	0	0	0
Fund Equity - End of Year	\$ 13,506,816	\$ 18,354,386	\$ 20,475,924	\$ 23,849,074	\$ 25,429,352

(1) Includes STAR reimbursement, P.I.L.O.T. payments and interest and penalties.

(2) Includes transfer to Debt Service Fund.

The financial data presented on this page has been excerpted from the audited financial statements of the District for the years ended June 30, 2014- 2018. Such presentation, however, has not been audited. Complete copies of the District's audited financial statements are available upon request to the District.

WAPPINGERS CENTRAL SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF ESTIMATED REVENUES AND APPROPRIATIONS
UNAUDITED PRESENTATION

	<u>Adopted Budget 2018-19</u>	<u>Adopted Budget 2019-20</u>
ESTIMATED REVENUES:		
Real Property Tax Levy	\$ 165,627,869	\$ 169,171,293
State Aid	57,966,798	58,043,010
Other Revenue	<u>3,967,964</u>	<u>3,986,685</u>
TOTAL ESTIMATED REVENUES	<u>227,562,631</u>	<u>231,200,988</u>
APPROPRIATED FUND BALANCE	<u>3,750,000</u>	<u>3,750,000</u>
TOTAL ESTIMATED REVENUES AND APPROPRIATED FUND BALANCE	<u><u>\$ 231,312,631</u></u>	<u><u>\$ 234,950,988</u></u>
APPROPRIATIONS:		
General Support	\$ 19,199,542	\$ 19,199,385
Instruction	121,502,221	126,852,162
Pupil Transportation	12,786,882	12,898,463
Employee Benefits	69,179,150	67,650,828
Debt Service	1,926,615	1,961,696
Interfund Transfers	<u>6,718,221</u>	<u>6,388,454</u>
TOTAL APPROPRIATIONS	<u><u>\$ 231,312,631</u></u>	<u><u>\$ 234,950,988</u></u>

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

APPENDIX C

**LINK TO
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/ER1314407.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. Bonadio & Co. LLP, has not been requested by the District to further review
and/or update such Financial Statements or opinion in connection with the preparation and
dissemination of this Official Statement.**

APPENDIX D

FORM OF BOND COUNSEL OPINION

August 13, 2019

Wappingers Central School District,
Counties of Dutchess and Putnam,
State of New York

Re: Wappingers Central School District
Dutchess and Putnam Counties, New York
\$51,366,368 Bond Anticipation Notes, 2019 Series B

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a \$51,366,368 Bond Anticipation Notes, 2019 Series B (the "Obligations"), of the Wappingers Central School District, Dutchess and Putnam Counties, New York (the "Obligor"), dated August 13, 2019, numbered _____, of the denomination of \$[_____], bearing interest at the rate of [_____] % per annum, payable at maturity, and maturing August 13, 2020.

We have examined:

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

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor for which the Obligor has validly pledged its faith and credit for the payment thereof. All the taxable real property within the Obligor is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount. The enforceability (but not the validity) of the Obligations: (i) may be limited

by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

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

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

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

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

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP