

# **PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2020**

## **REFUNDING NEW AND RENEWAL ISSUES**

**RATINGS: See “RATINGS” herein**

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

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

## **SPACKENKILL UNION FREE SCHOOL DISTRICT DUTCHESS COUNTY, NEW YORK \$13,000,000\* SCHOOL DISTRICT (SERIAL) BONDS, 2020 SERIES A (the “Series A Bonds”)**

**Date of Issue: Date of Delivery**

**Maturity Dates: June 1, 2021-2036**

## **\$4,475,000\* SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2020 SERIES B (the “Series B Bonds” and together with the “Series A Bonds”, the “Bonds”)**

**Date of Issue: Date of Delivery**

**Maturity Dates: September 15, 2020-2025**

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

The Series A Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series A Bonds, payable on June 1, 2021, December 1, 2021 and semi-annually thereafter on June 1 and December 1 in each year until maturity. The Series A Bonds shall mature on June 1 in each year in the principal amounts specified on the inside cover page hereof. The Series A Bonds will be subject to redemption prior to maturity as described herein. (See “Optional Redemption” herein.)

The Series B Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series B Bonds, payable on September 15, 2020, and semi-annually thereafter on March 15th and September 15th in each year until maturity. The Series B Bonds shall mature on September 15 in each year in the principal amounts specified on the inside cover page hereof. The Series B Bonds will not be subject to redemption prior to maturity. (See “Optional Redemption” herein.)

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

The Bonds are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the respective final approving opinions of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Series A Bonds will be available for delivery through the offices of DTC in New York, New York or as otherwise agreed with the purchasers on or about June 24, 2020. It is anticipated that the Series B Bonds will be available for delivery through the facilities of DTC in New York, New York or as otherwise agreed with the purchasers on or about July 7, 2020.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF RULE 15c2-12 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED (THE “RULE”), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS AS MORE FULLY DESCRIBED IN THE RESPECTIVE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT TO PROVIDE CONTINUING DISCLOSURE AS DEFINED IN THE RULE. SEE “DISCLOSURE UNDERTAKINGS” HEREIN.

DATED: June \_\_, 2020

\*Preliminary subject to change.

This Preliminary Offering Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Offering Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The Series A Bonds will mature on June 1, subject to redemption prior to maturity, in the following years and principal amounts:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield Or Price</u>	<u>CUSIP Number</u>
2021	\$565,000			
2022	750,000			
2023	760,000			
2024	765,000			
2025	775,000			
2026	785,000			
2027	800,000			
2028	810,000			
2029**	825,000			
2030**	835,000			
2031**	850,000			
2032**	865,000			
2033**	875,000			
2034**	895,000			
2035**	915,000			
2036**	930,000			

\* The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the respective Notices of Sale accompanying the Bonds.

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

The Series B Bonds mature on September 15th in each year as set forth below:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield Or Price</u>	<u>CUSIP Number</u>
2020	\$720,000			
2021	680,000			
2022	710,000			
2023	745,000			
2024	790,000			
2025	830,000			

\* The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the respective Notices of Sale accompanying the Bonds.

**SPACKENKILL UNION FREE SCHOOL DISTRICT  
DUTCHESS COUNTY, NEW YORK**

**BOARD OF EDUCATION**

Thomas Keith, Jr. ....President  
Herman Lo ..... Vice President  
Dr. Richard Horvath..... Board Member  
Dr. Mary Sawyer..... Board Member  
Daniel Koehler ..... Board Member

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**DISTRICT OFFICIALS**

Dr. Mark Villanti\* ..... Superintendent of Schools  
Michele Moloney .....Business Official  
Valerie Murphy ..... District Treasurer  
Sandra Barbieri .....District Clerk

\*Dr. Villanti will be retiring on June 30, 2020. At its December 10th meeting, the Spackenkill Union Free School District Board of Education named Dr. Paul Fanuele as the next Superintendent of Schools, starting July 1st, 2020.

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**INDEPENDENT AUDITOR**

**Bonadio Group  
Albany, New York**

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**BOND COUNSEL**

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

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**MUNICIPAL ADVISOR**



**Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(845) 227-8678**

No person has been authorized by the Spackenkill Union Free 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 Bonds and 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 Spackenkill Union Free School District.

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**OFFICIAL STATEMENT**

**SPACKENKILL UNION FREE SCHOOL DISTRICT  
DUTCHESS COUNTY, NEW YORK**

**relating to**

**\$13,000,000\***  
**SCHOOL DISTRICT (SERIAL) BONDS, 2020 SERIES A**  
**(the “Series A Bonds”)**

**and**

**\$4,475,000\***  
**SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2020 SERIES B**  
**(the “Series B Bonds” and together with the Series A Bonds, the “Bonds”)**

The material set forth herein, which includes the cover pages and appendices hereto, presents certain information relating to the Spackenkill Union Free School District, in Dutchess County, in the State of New York (the “District,” “County,” and “State,” respectively), in connection with the sale of \$13,000,000\* School District (Serial) Bonds, 2020 Series A (the “Series A Bonds”) and \$4,475,000\* School District Refunding (Serial) Bonds, 2020 Series B (The “Series B Bonds” and together with the Series A Bonds, the “Bonds”).

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 Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

**THE BONDS**

***Description of the Bonds***

The Series A Bonds will be dated their Date of Delivery, will bear interest from such date payable June 1, 2021, December 1, 2021 and semiannually thereafter on June 1 and December 1 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Series A Bonds maturing in the years 2021 to 2028, inclusive, will not be subject to redemption prior to maturity. The Series A Bonds maturing in the years 2029 and thereafter will be subject to redemption prior to maturity as described herein. (See “Optional Redemption” herein).

The Series B Bonds will be dated their Date of Delivery, will bear interest from such date payable September 15, 2020 and semiannually thereafter on March 15<sup>th</sup> and September 15<sup>th</sup> until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Series B Bonds are not subject to optional redemption prior to maturity.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The record date for the payment of principal and interest on the Series A Bonds is the fifteenth day of the calendar month preceding each interest payment date.

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

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\*Preliminary, subject to change

## ***Optional Redemption***

**Call Provisions.** The Series A Bonds maturing in the years 2021 to 2028, inclusive, will not be subject to redemption prior to maturity. The Series A Bonds maturing in the years 2029, and thereafter, will be subject to redemption prior to maturity, at the option of the District, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after June 1, 2028 at par plus accrued interest to the redemption date.

The Series B Bonds are not subject to optional redemption prior to maturity.

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

## ***Authority for and Purpose of the Series A Bonds***

**Authorization.** The Series A Bonds are issued pursuant to the Constitution and laws of the State and a bond resolution adopted by the Board of Education of the District. On January 8, 2018, following approval of a proposition by a majority of the voters of the District voting and present at a Special District Meeting held on December 5, 2017, the District authorized the issuance of \$21,839,832 serial bonds and \$2,250,000 of available monies to finance the cost of reconstruction of various school district facilities.

**Purpose.** A portion of the proceeds from the sale of the Series A Bonds in the amount of \$10,000,000 will be used to redeem the District's outstanding \$10,000,000 Bond Anticipation Notes, 2019, maturing on June 25, 2020. The \$3,000,000 balance of the proceeds from the sale of the Series A Bonds will be used to provide additional original financing pursuant to the resolution.

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

The Series B Bonds are being issued to refund up to \$4,875,000 of the outstanding principal of the District's \$10,160,000 School District (Serial) Bonds, 2010 which mature in the years 2020 to 2025, inclusive (the "Refunded Bonds"). Under the Refunding Plan, the Refunded Bonds are to be called and redeemed as detailed in the chart on the following page.

The net proceeds from the sale of the Series B Bonds (after payment of the underwriting fee and other costs of issuance relating to the Series B Bonds) will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the "Government Obligations") which, together with remaining cash proceeds from the sale of the Series B Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") to be held by Manufacturers Traders Trust Company Corporate Trust Services (the "Escrow Holder") a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Series B Bonds (the "Escrow Contract"). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premium, if any, of the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Series B Bond resolution of the District and the Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

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

from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest and any redemption premium payable with respect thereto.

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

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

THE FOLLOWING IS A SUMMARY OF THE REFUNDED BONDS:

Refunded 2010 Bonds\*:

<u>Maturity Date:</u>	<u>Principal</u>	<u>Coupon</u>	<u>CUSIP</u>	<u>Redemption Date/Price</u>
September 15, 2020	\$755,000	2.50%	846302 GH4	August 10, 2020 @ 100%
September 15, 2021	775,000	3.00	846302 GJ0	August 10, 2020 @ 100%
September 15, 2022	800,000	3.00	846302 GK7	August 10, 2020 @ 100%
September 15, 2023	820,000	3.00	846302 GL5	August 10, 2020 @ 100%
September 15, 2024	850,000	3.00	846302 GM3	August 10, 2020 @ 100%
September 15, 2025	<u>875,000</u>	3.00	846302 GN1	August 10, 2020 @ 100%
Total:	<u>\$4,875,000</u>			

***Sources and Uses of Proceeds of the Series B Bonds***

Sources:	Totals
Bond Proceeds:	
Par Amount	\$
Original Issue Premium	
	<hr/>
Total:	
Uses:	
Refunding Escrow Deposits:	\$
Delivery Date Expenses:	
Underwriter's Fee	
Costs of Issuance and Contingency:	
	<hr/>
Total:	\$

***Verification of Mathematical Computations***

Causey Demgen & Moore Inc. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Series B Bonds, of: (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds, and (2) the computations of the yield on both the Government Obligations and the Series B Bonds contained in the provided schedules to be used by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the School District for the Series B Bonds, in its determination that the interest on the Series B Bonds is excludable from gross income for Federal income tax purposes. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Series B Bonds.

## ***Nature of Obligation***

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

Holders of any series of 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 bonds.

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District, 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 Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

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

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

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

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank Court



noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977), the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

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

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

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

### ***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. As part of the enacted State budget for fiscal year 2020, the Tax Levy Limitation law has been made 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 Bonds.

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.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation

("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company

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

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

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

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

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

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

of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to 7 such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

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

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

**Authority to File For Municipal Bankruptcy.** The Federal Bankruptcy Code allows public bodies, such as municipalities, 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 enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay

the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the School District.

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

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

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

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

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

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

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

**Fiscal Stress and State Emergency Financial Control Boards.** Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, 9 affairs and

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

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

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

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

Several municipalities in the State are presently working with the FRB. The District is 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 and bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State, require the exercise by the State or its

political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

### ***No Past Due Debt***

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

## **MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE**

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

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

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District’s operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “*State Aid and COVID-19*” and “*Events Affecting New York School Districts*” herein).



If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond is sold prior to its maturity.

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

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, including the District, school districts, and fire districts in the State could have an impact upon operations of the District and as a result, the market price for the Bonds. (See “Tax Levy Limit 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, for 2019 data, of the State Comptroller designates the District as “No Designation,” with a fiscal score of 0.0% and an environmental score of 5.0%.

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. The last audit conducted by OSC was released on October 9, 2015. The purpose of the audit was to examine the District’s financial management and its controls over transportation and information technology (IT) operations for the period July 1, 2013 through June 24, 2015. The complete report can be obtained from OSC’s website. There are no OSC audits in progress.

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein. References to websites and/or websites addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

## **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.

The School District has been named as defendant in several tax certiorari cases. The District maintains a general fund reserve to pay tax refunds associated with tax certiorari settlements. As of June 30, 2019, the balance of the reserve was \$4,202,662. Local Finance Law permits borrowing by a school district to pay such tax certiorari or refunds, if necessary.

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

## **TAX MATTERS**

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

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

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

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

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

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

## **LEGAL MATTERS**

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

## **DISCLOSURE UNDERTAKINGS**

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 respective times of the delivery of the Bonds, the District will provide an executed copy of its undertaking to provide continuing disclosure certificate (the "Undertaking"). Said Undertakings will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds. In accordance with the requirements of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the District has agreed to provide, or cause to be provided,

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated June 16, 2020 of the District relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "The District", "Financial Factors", "Real Property Taxes", "District Indebtedness" and "Economic and Demographic Data" and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended June 30, 2019, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended June 30, 2019; such audit (prepared in accordance with the accounting principles the District may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available

by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

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

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

With respect to event (iv) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

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

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

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

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

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

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

### **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 Bonds.

### **RATING**

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

On June 6, 2019, Moody's Investors Service ("Moody's") assigned an underlying rating of "Aa3" to the outstanding uninsured bonded debt of the District.

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 Bonds or the availability of a secondary market for the Bonds.

## ADDITIONAL INFORMATION

Additional information may be obtained upon request from Michele Moloney, Business Official, 15 Croft Road, Poughkeepsie, NY 12603, (845) 463-7800, e-mail: [michele.moloney@sufsdny.org](mailto:michele.moloney@sufsdny.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 Bonds.

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 Bonds.

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

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

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

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

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

SPACKENKILL UNION FREE SCHOOL DISTRICT,  
DUTCHESS COUNTY, NEW YORK

By: /s/ \_\_\_\_\_  
Thomas Keith, Jr.  
President of the Board of Education and Chief Fiscal Officer

DATED: June \_\_, 2020

**APPENDIX A**

**THE DISTRICT**



## **THE DISTRICT**

### ***General Information***

The School District with a land area of approximately 6 square miles and is located in the southern portion of the Town of Poughkeepsie, midway between New York City and Albany on the eastern side of the Hudson River.

The School District is suburban in character, with one-third consisting of commercial property, including development and manufacturing facilities of the IBM Corporation.

Located 72 miles from New York City, the School District is readily accessible via public and private transportation.

Residents of Spackenkill enjoy advantages of the beautiful environment of the Mid-Hudson Valley, including golfing, tennis, skiing, fishing, boating, camping and horseback riding.

### ***District Organization***

The Spackenkill Union Free School District is an independent entity governed by an elected board of education comprised of (5) five 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 Board of Education which is the policy-making body of the School District consists of five members with overlapping five year terms. 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 the education system, 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 School Business Manager.

### ***Financial Organization***

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

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

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

### ***Budgetary Procedure***

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated; and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring the budget is developed and refined in conjunction with the school building principals and department supervisors.

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 for a further discussion regarding the budget vote, revote, contingency budget and the tax cap. The District has never exceeded the tax cap.

On May 21, 2019, voters of the District approved the proposed budget for the 2019-2020 fiscal year. On June 9, 2020, voters of the District will consider the proposed budget for the 2020-2021 fiscal year. The total proposed budget for fiscal 2021 is \$48,068,456 which represents budget growth from 2019-2020 of 1.92% and proposed tax levy increase of 1.89%. The proposed 2021 budget falls under the New York State tax cap. See Appendix B for summaries of the 2019-20 adopted budget and the 2020-21 proposed budget of the District.

***School Enrollment Trends***

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Enrollment</u>
2015-16	1,470	2020-21	1,495
2016-17	1,493	2021-22	1,510
2017-18	1,465	2022-23	1,520
2018-19	1,501	2023-24	1,535
2019-20	1,485	2024-25	1,555

***District Facilities***

<u>Name</u>	<u>Grades</u>	<u>Year Built</u>	<u>Capacity</u>
Nassau Elementary	K-2	1962	500
Hagan Elementary	3-5	1965	600
Orville A. Todd Jr. High	6-8	1958	500
Spackenkill High	9-12	1971	800
Total			<u>2,400</u>

***District Employees***

The number of persons employed by the School District, the collective bargaining agents, if any, which represent them and the dates of expiration of the collective bargaining agreements are as follows:

<u>No. of Employees</u>	<u>Union</u>	<u>Contract Contract Expiration Date</u>
156	Teachers	June 30, 2021
10	Bus Drivers	June 30, 2021
19	Custodians	June 30, 2021
59	Support Staff	June 30, 2021
7	Administrators	June 30, 2020 <sup>(1)</sup>
12	Food Services	June 30, 2021
3	Management Confidential	June 30, 2020 <sup>(1)</sup>
4	SESLA	June 30, 2023
11	Unaffiliated	June 30, 2022

(1) In negotiation.

## ***Employee Benefits***

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

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

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

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

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

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

In 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.

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

***Retirement Billing Procedures***

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

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

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

Fiscal Year Ended June 30	ERS	TRS
2014	\$655,398	\$2,203,568
2015	672,874	2,781,854
2016	602,888	2,939,355
2017	521,837	2,297,552
2018	552,267	2,072,619
2019	624,487	2,112,123
2020 (Budget)	689,487	2,000,027
2021 (Proposed Budget)	614,000	2,076,075

***Other Post Employment Benefits***

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

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB Statement 75 requires the net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past period of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position (if any).

Total OPEB liability at June 30, 2019 is as follows:

Balance at June 30, 2018	\$150,468,410
Service Cost	3,021,519
Interest	4,629,178
Changes of Assumptions	32,302,373
Benefit Payments	<u>(2,280,168)</u>
Balance at June 30, 2019	<u><u>\$188,141,311</u></u>

### ***Investment Policy***

Pursuant to Section 39 of the State's General Municipal Law, the District has an investment policy applicable to the investment of all moneys and financial resources of the District. The responsibility for the investment program has been delegated by the Board of Education to the Deputy Superintendent 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 four 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. 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). On June 24, 2011, Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. See “New Tax Levy Limit Law,” herein.

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years, and real property tax revenues budgeted for the 2019-2020 fiscal year and proposed for the 2020-2021 fiscal year.

<u>Fiscal Year</u>	<u>Property Taxes</u>		Real Property Taxes to Revenues
	<u>Total Revenues</u> <sup>(1)</sup>	<u>Real Property Taxes</u> <sup>(2)</sup>	
2015	40,367,641	32,170,491	79.7
2016	41,617,800	32,617,189	78.4
2017	42,690,457	32,691,948	76.6
2018	44,258,038	33,370,163	75.4
2019	44,310,768	33,933,586	76.6
2020 (Budget)	45,662,497	34,740,517	76.1
2021 (Proposed Budget)	46,720,579	35,312,363	75.6

(1) General Fund only.

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

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

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## State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years, and the amounts budgeted for the 2019-2020 fiscal year and proposed for the 2020-2021 fiscal year.

### State Aid

<u>Fiscal Year Ended June 30:</u>	<u>General Fund Revenues <sup>(1)</sup></u>	<u>State Aid</u>	<u>State Aid to Revenue (%)</u>
2015	\$40,367,641	\$7,367,901	18.3%
2016	41,617,800	7,982,163	19.2
2017	42,690,457	8,709,695	20.4
2018	44,258,038	9,464,001	21.4
2019	44,310,768	9,601,682	21.7
2020 (Budget)	45,662,497	9,981,316	21.9
2021 (Proposed Budget)	46,720,579	10,466,552	22.4

(1) General Fund only.

(2) Inclusive of State Aid and ARRA grant

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

## State Aid and COVID-19

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

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

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021

budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including “aid-to-localities,” a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See “Event Affecting New York School Districts” herein).

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 has received timely STAR aid from the State for the current fiscal year.

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 and not 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.

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

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York (the “CFE case”) 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 asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the “foundation aid” formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient state funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent “gross 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 Bonds, nor the ability of the District to levy taxes on the taxable real property in the District to pay the Bonds 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 \$752,800.

*School district fiscal year (2015-2016):* The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process. School 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 included an increase of \$991 million in State aid for school districts over the State's 2015-16 Budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the Governor's budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase included \$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.

*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. The Legislature then will have 90 days to approve the Governor's plan.

*School district fiscal year (2019-2020):* 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 2019-2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

*School district fiscal year (2020-2021):* The State's 2020-2021 Enacted Budget includes a year-to-year funding increase for State aid of \$95.0 million or .035% percent. Foundation Aid to school districts is frozen at the same level as the 2019-2020 fiscal year; while other aids, calculated according formulas in current law, are responsible for the increase. The State's 2020-2021 Enacted Budget includes \$10 million in new funding for grants to school districts for student mental health services. It should be noted that there was an actual year-to-year decrease of State aid implemented through a reduction of each school district's State aid allocation from the 2019-2020 year. The reduction is being referred to as a "Pandemic Adjustment". However, the decrease in State aid is being fully offset by an

allocation received by the State of funds from the recently approved federal stimulus bill. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State aid from the 2019-2020 year. In addition, the State’s 2020-2021 Enacted Budget authorizes the State’s Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See “State Aid herein” for a discussion of this provision set forth in the State’s 2020-2021 Enacted Budget and recent developments.

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***

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 Districts independent auditor. Appendix C contains a link to the last fiscal year audit.

In addition, the District is subject to periodic audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See “The State Comptroller’s Fiscal Stress Monitoring System and Compliance Reviews,” herein.

**REAL PROPERTY TAXES**

***Real Property Tax Assessments and Rates***

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

Valuations Year Ending June 30:	2016	2017	2018	2019	2020	2021 Proposed Budget
Assessed Valuation:	\$854,894,242	\$851,481,807	\$852,140,087	\$874,285,348	\$926,449,178	\$929,321,684
New York State Equalization Rates:	100.00%	100.00%	100.00%	100.00%	100.00%	99%
Full Valuations:	854,894,242	851,481,807	852,140,087	874,285,348	926,449,178	1,253,589,789
Tax Levy	28,247,623	28,515,111	28,930,648	29,558,567	30,299,099	30,871,945
Uncollected Taxes End of Fiscal Year	None	None	None	None	None	N/A
Tax Rate Per \$1,000 Assessed: Year Ending June 30:						
Homestead	\$22.48	\$22.97	\$23.23	\$23.30	\$22.25	\$22.58
Non-Homestead	56.29	56.94	58.33	58.30	58.00	59.08

## ***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 Town of Poughkeepsie. 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 Receiver of the Town of Poughkeepsie. 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.

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

The State's 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to \$250,000, compared with a \$500,000 limit for the credit. Approximately 2.82% of the District's 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State.

Approximately 7.24% of the District's 2018-19 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 6.28% of the District's 2019-2020 school tax levy was exempted by the STAR program and the District expects to received full reimbursement of such exempt taxes from the State in January 2019. (See "State Aid" herein).

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## Ten of the Largest Taxpayers

### 2018-19 Tax Year

<u>Taxpayer</u>	<u>Classification</u>	<u>Assessed Valuation (2)</u>	<u>% of Full Value</u>
Hudson Harbour NY LLC	Apartments	\$20,541,500	2.2%
C H G & E Corp	Public Utility	17,355,709	1.8
Mid Hudson Associates LLC	Shopping Center	13,493,000	1.5
Oakwood Partners LLC	Retail	13,156,500	1.4
Halper, Emanuel B Trustee	Shopping Center	11,365,185	1.2
IHP Poughkeepsie (NY) Owner <sup>(1)</sup>	Hotel	9,472,000	1.1
HP South 2507 LLC	Retail	9,600,000	1.0
Poughkeepsie Plaza Mall LLC <sup>(1)</sup>	Shopping Center	9,500,000	1.0
Lixi Poughkeepsie Hotel Inc	Hotel	9,165,300	0.9
Pizzagalli Properties LLC	Hotel	8,850,000	0.9
		<u>\$122,302,994</u>	<u>13.2%</u>

(1) Taxpayer has outstanding tax certiorari proceeding (See "Litigation and Contingencies" herein).

(2) The total full value for 2019-20 is \$926,449,178.

## DISTRICT INDEBTEDNESS

### *Constitutional Requirements*

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

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

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

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

**Debt Limit.** The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the District, subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the rate which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Tax Services

(the “ORPTS”). The State Legislature is required to prescribe the manner by which such rate shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

There is no constitutional limitation on the amount of real property taxes which may be levied in any fiscal year to pay the principal of and interest on the Bonds. Further, the New York Constitution prohibits the State Legislature from restricting the power of the District to levy real estate taxes for the payment of principal of and interest on indebtedness authorized and issued under the Local Finance Law. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the District’s power to increase its annual real property tax levy, including such taxes to pay the principal of and interest on the Bonds. See “Legal Matters,” “Market Factors,” and “Tax Levy Limit Law,” herein.

***Statutory Procedure***

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specification for such project have been approved by the Commissioner of Education of the State. The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Bonds.

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

***Debt Limit and Net Indebtedness***

The following table sets forth the current debt-contracting limitation of the District.

<b>Statutory Debt Limit and Net Indebtedness</b>	
<b><u>As of June 8, 2020</u></b>	
Full Valuation of Taxable Real Property	<u>\$926,449,178</u>
Debt Limit (10% of Full Valuation)	<u><u>\$92,644,918</u></u>

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

**Statement of Debt Contracting Power  
As of June 8, 2020**

	<u>Amount</u>	<u>Percentage</u>
Debt Contracting Limitation:	<u>\$92,644,918</u>	<u>100.00%</u>
Gross Indebtedness:		
Serial Bonds <sup>(1)</sup>	12,355,000	13.34
Bond Anticipation Notes	<u>10,000,000</u>	<u>10.79</u>
Total Gross Debt	<u>22,355,000</u>	<u>24.13</u>
Exclusions and Deductions <sup>(2)</sup>	<u>0</u>	<u>0.00</u>
Net Indebtedness	<u>22,355,000</u>	<u>24.13</u>
 Net Debt Contracting Margin	 <u><u>\$70,289,918</u></u>	 <u><u>75.87%</u></u>

(1) Does not include an energy performance contract outstanding in the amount of \$2,054,595 as of June 8, 2020.

(2) The District estimates that it will receive approximately \$9.7 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.

***Tax and Revenue Anticipation Notes***

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 tax or revenue anticipation notes, except for delays in State aid due to the lack of a timely State budget.

The District has not found it necessary in recent years to issue tax or revenue anticipation notes and does not anticipate issuing for such purposes in the current fiscal year.

***Bond Anticipation Notes***

The District currently has \$10,000,000 bond anticipation notes outstanding that will be redeemed from proceeds of the Series A Bonds at maturity on June 25, 2020.

<u>Date Authorized</u>	<u>Original Issue Date</u>	<u>Purpose</u>	<u>Amount Outstanding</u>
01/08/18	06/25/19	Reconstruction of Various School District Facilities	<u>\$10,000,000</u>
			<u><u>\$10,000,000</u></u>

***Budget Notes***

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. The District has not issued budget notes in the last five fiscal years and does

not expect to issue budget notes in the current fiscal year. However, it should be noted that should material state aid reductions occur, the District could determine it necessary to do so. See “State Aid” herein.

***Deficiency Notes***

Deficiency notes may be issued to finance a budgeting deficit occurring when budgeted revenues are determined to be unavailable during a fiscal year. Generally, the amount of deficiency notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year. The District has not issued deficiency notes in the last five fiscal years and does not expect to issue deficiency notes in the current fiscal year. However, it should be noted that should material state aid reductions occur, the District could determine it necessary to do so. See “State Aid” herein.

***Energy Performance Contract Lease***

The District has an energy performance contract lease purchase obligation outstanding in the amount \$2,054,595 as of June 15, 2020. The District will make semi-annual payments of principal and interest on this lease of \$114,144 through final maturity on August 2, 2029.

***Trend of Capital Indebtedness***

The following table sets forth the amount of bonded indebtedness outstanding at the end of the last five completed fiscal years.

Fiscal Year Ended June 30:	Bond Anticipation Notes	Bonded Indebtedness	Total Capital Indebtedness
2015	-0-	13,169,813	13,169,813
2016	-0-	11,904,813	11,904,813
2017	-0-	10,595,000	10,595,000
2018	-0-	9,245,000	9,245,000
2019	\$10,000,000	13,809,813	23,809,813

***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 June 8, 2020**

Gross Direct Indebtedness	\$22,355,000
Exclusions and Deductions	<u>0</u>
Net Direct Indebtedness	<u>\$22,355,000</u>

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Net Underlying Debt</u>	<u>Debt Percentage Applicable</u>	<u>Applicable Net Indebtedness</u>
Dutchess County	03-25-20	\$139,080,000	2.93%	\$4,075,044
Town of Poughkeepsie	03-07-20	23,295,027	23.98	<u>5,586,147</u>
Totals				<u><u>\$9,661,191</u></u>

Source: Official Statements.

**Debt Ratios**

The following table sets forth certain debt ratios relating to the District's indebtedness as of June 16, 2020, excluding estimated State building aid.

	<u>Amount</u>	<u>Debt Per Capita <sup>(1)</sup></u>	<u>Ratio To Full Value <sup>(2)</sup></u>
Net Direct Debt	\$22,355,000	\$2,541	2.41%
Net Direct and Overlapping Debt	32,016,191	3,639	3.46

- (1) The District's population is estimated at 8,799 according to 2017 Census estimates.
- (2) The District's full valuation of taxable real estate for 2019-20 is \$926,449,178.

**Authorized But Unissued Debt**

On December 5, 2017 the voters of the District approved the issuance of \$21,839,832 in serial bonds and \$2,250,000 of available monies to pay the cost of the reconstruction of various school district facilities. After the issuance of the Bonds, there will be \$2,339,832 remaining under this authorization.

**Debt Service Schedule**

The following table presents the debt service requirements to maturity on the District's outstanding general obligation bonded indebtedness, exclusive of the Bonds.

Years Ending June 30:	<u>Debt Service Schedule</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>% Cumulative Principal Paid</u>
2021 <sup>(1)</sup>	\$1,495,000	\$396,675	\$1,891,675	21.4%
2022	1,470,000	346,000	1,816,000	32.0
2023	1,520,000	294,594	1,814,594	43.0
2024	1,360,000	245,750	1,605,750	52.9
2025	1,415,000	199,500	1,614,500	63.1
2026	1,465,000	151,325	1,616,325	73.7
2027	400,000	116,900	516,900	76.6
2028	420,000	96,900	516,900	79.7
2029	435,000	84,300	519,300	82.8
2030	445,000	71,250	516,250	86.0
2031	460,000	57,900	517,900	89.4
2032	475,000	44,100	519,100	92.8
2033	490,000	29,850	519,850	96.3
2034	505,000	15,150	520,150	100.00
	<u>\$12,355,000</u>	<u>\$2,150,194</u>	<u>\$14,505,194</u>	

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## ECONOMIC AND DEMOGRAPHIC DATA

The following section presents certain information on economic and demographic statistics relating to the Town of Poughkeepsie, with comparative figures for the County and the State.

### ***Population***

	<u>Population Trend</u>				
	2000	2010	2017	<u>% Change</u>	
				00/10	10/17
Town	42,777	43,341	44,513	1.3%	2.7%
County	280,150	297,488	245,245	6.2	(17.6)
State	18,976,457	19,379,102	19,798,228	5.4	2.2

(a) The population of the District is estimated to be 8,799 (based on 2017 estimated Census information).  
 Source: U.S. Department of Commerce and Bureau of the Census.

### ***Income***

The following table presents comparative income statistics for the Town of Poughkeepsie, the County and the State.

	<u>Per Capita Money Income</u>		
	2010	2017	<u>% Increase</u>
Town	\$29,933	\$33,498	11.9%
County	31,796	36,704	15.4
State	30,011	35,752	19.1

Source: State Department of Economic Development.

### ***Employment***

	<u>Average Employed Civilian Labor Force</u>				
	2000	2010	2019	<u>% Increase</u>	
				00/10	10/19
Town	20,700	20,000	21,800	(3.4)%	9.0%
County	134,900	132,100	144,000	(2.1)	16.9
State	8,751,400	8,806,800	9,514,400	0.6	7.4

Source: State Department of Labor.

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

**Average Unemployment Rates**

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
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	3.6	4.0	3.5
2020:			
Jan	4.0	4.1	3.6
Feb	3.9	3.9	3.5
Mar	4.0	4.2	4.4
Apr	N/A	15.0	14.7

(a) Monthly rates.  
Source: State Department of Labor.

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

<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

Source: County of Dutchess official statement dated April 4, 2019.

**END OF APPENDIX A**

**APPENDIX B**

**UNAUDITED SUMMARY OF FINANCIAL STATEMENTS  
AND BUDGETS**

SPACKENKILL UNION FREE SCHOOL DISTRICT  
GENERAL FUND  
BALANCE SHEET  
UNAUDITED PRESENTATION

AS OF JUNE 30:

	2015	2016	2017	2018	2019
<b>ASSETS</b>					
Cash - Unrestricted	\$ 12,595,264	\$ 13,636,293	\$ 7,059,041	\$ 4,884,842	\$ 7,841,909
Cash - Restricted	0	0	7,724,954	9,173,821	8,195,301
State And Federal Aid Receivables	748,081	922,607	858,717	869,960	841,195
Taxes Receivables	838,364	0	0	0	0
Due From Other Funds	1,180,468	1,246,641	1,320,425	2,557,484	1,280,346
Other Receivables	192,798	139,388	63,369	51,157	71,522
<b>Total Assets</b>	<b>\$ 15,554,975</b>	<b>\$ 15,944,929</b>	<b>\$ 17,026,506</b>	<b>\$ 17,537,264</b>	<b>\$ 18,230,273</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 78,520	\$ 78,359	\$ 483,625	\$ 93,715	\$ 443,966
Accrued Liabilities	177,718	234,602	223,978	664,257	309,319
Compensated Absences	441,189	526,601	621,176	602,587	300,000
Due To Other Funds	371,501	679,482	942,872	723,482	3,110,670
Due To Retirement Systems	3,187,614	2,519,043	2,238,647	1,933,102	2,090,963
Unearned Revenue	783	783	1,275	1,275	1,275
<b>Total Liabilities</b>	<b>4,257,325</b>	<b>4,038,870</b>	<b>4,511,573</b>	<b>4,018,418</b>	<b>6,256,193</b>
<b>Fund Balance:</b>					
Nonspendable	0	0	0	0	0
Restricted	7,096,328	7,501,722	7,724,954	9,173,821	8,195,301
Assigned	2,463,955	2,629,662	2,981,344	2,502,584	1,892,279
Unassigned	1,737,367	1,774,675	1,808,635	1,842,431	1,886,500
<b>Total Fund Balance</b>	<b>11,297,650</b>	<b>11,906,059</b>	<b>12,514,933</b>	<b>13,518,836</b>	<b>11,974,080</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 15,554,975</b>	<b>\$ 15,944,929</b>	<b>\$ 17,026,506</b>	<b>\$ 17,537,254</b>	<b>\$ 18,230,273</b>

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

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

FOR FISCAL YEARS ENDED JUNE 30:

	2015	2016	2017	2018	2019
<b>REVENUES:</b>					
Real Property Taxes	\$ 25,380,392	\$ 25,811,176	\$ 26,197,451	\$ 26,680,242	\$ 27,418,035
Other Tax Items	6,790,099	6,806,013	6,764,497	6,689,921	6,608,166
Charges For Services	192,035	236,429	276,214	235,330	447,049
Use Of Money And Property	349,891	358,924	378,166	533,816	738,944
Sale Of Property And Compensation For Loss	600	0	0	75,359	4,344
State Sources	7,367,901	7,982,163	8,709,695	9,464,001	9,673,133
Federal Sources	0	0	0	0	0
Medicaid Reimbursement	0	13,425	18,719	17,555	70,327
Miscellaneous	286,723	409,670	345,715	561,814	527,284
<b>Total Revenues</b>	<b>40,367,641</b>	<b>41,617,800</b>	<b>42,690,457</b>	<b>44,258,038</b>	<b>45,487,282</b>
<b>EXPENDITURES:</b>					
Current:					
General Support	4,295,400	4,197,539	4,336,011	4,242,123	5,552,600
Instruction	22,435,645	23,000,969	23,630,753	24,495,567	24,001,853
Pupil Transportation	1,394,749	1,275,068	1,613,169	1,756,676	1,853,219
Employee Benefits	11,026,919	10,409,117	10,450,612	10,558,274	11,159,219
Debt Service	1,822,292	1,884,326	1,894,448	2,036,024	2,042,774
<b>Total Expenditures</b>	<b>40,975,005</b>	<b>40,767,019</b>	<b>41,924,993</b>	<b>43,088,664</b>	<b>44,609,665</b>
Excess of Revenues Over Expenditures	(607,364)	850,781	765,464	1,169,374	877,617
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers - In	164,144	202,282	0	0	0
Transfers - Out (1)	(146,696)	(444,654)	(156,590)	(165,471)	(2,422,373)
<b>Total Other Financing Sources (Uses)</b>	<b>17,448</b>	<b>(242,372)</b>	<b>(156,590)</b>	<b>(165,471)</b>	<b>(2,422,373)</b>
<b>Net Change in Fund Equity</b>	<b>(589,916)</b>	<b>608,409</b>	<b>608,874</b>	<b>1,003,903</b>	<b>(1,544,756)</b>
Fund Balance - Beginning of Year	11,955,849	11,887,566	11,297,650	11,906,059	12,514,933
Adjustments	0	0	0	0	0
Fund Balance - Beginning of Year -Restated	11,887,566	11,297,650	11,906,059	12,514,933	13,518,836
Other Changes in Fund Balance	0	0	0	0	0
<b>Fund Balance - End of Year</b>	<b>11,297,650</b>	<b>11,906,059</b>	<b>12,514,933</b>	<b>13,518,836</b>	<b>11,974,080</b>

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

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

	<u>Adopted Budget 2019-20</u>		<u>Proposed Budget 2020-21</u>
<b>ESTIMATED REVENUES:</b>			
Real Property Taxes	\$ 34,740,517	\$	35,313,363
Charges For Services	5,000		5,000
Intergovernmental Charges	50,000		50,000
Use Of Money And Property	815,664		815,664
Sale Of Property And Compensation For Loss	0		0
State Aid	9,981,316		10,466,552
Federal Aid	20,000		20,000
Miscellaneous	50,000		50,000
	<u>45,662,497</u>		<u>46,720,579</u>
<b>TOTAL ESTIMATED REVENUES</b>	<b>\$ 45,662,497</b>	<b>\$</b>	<b>46,720,579</b>
<b>APPROPRIATED FUND BALANCE</b>	<b>\$ 1,500,000</b>	<b>\$</b>	<b>1,347,877</b>
	<u>47,162,497</u>		<u>48,068,456</u>
<b>TOTAL ESTIMATED REVENUES AND APPROPRIATED FUND BALANCE</b>	<b>\$ 47,162,497</b>	<b>\$</b>	<b>48,068,456</b>
<b>APPROPRIATIONS:</b>			
General Support	4,218,383		4,203,582
Instruction	26,182,299		26,481,065
Pupil Transportation	1,807,164		1,768,117
Community Services	0		0
Employee Benefits	12,744,245		12,884,804
Debt Service	2,025,406		2,555,888
Interfund Transfers	185,000		175,000
	<u>47,162,497</u>		<u>48,068,456</u>
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 47,162,497</b>	<b>\$</b>	<b>48,068,456</b>

Source: Adopted budgets of the District.

**APPENDIX C**

**LINK TO  
INDEPENDENT AUDITORS' REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**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/ER1270616-ER991951-ER1394638.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**

**FORMS OF BOND COUNSEL'S OPINIONS**



FORM OF BOND COUNSEL'S OPINION

Spackenkill Union Free School District,  
County of Dutchess,  
State of New York

June 24, 2020

Re: Spackenkill Union Free School District, Dutchess County, New York  
\$13,000,000 School District (Serial) Bonds, 2020 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$13,000,000 School District (Serial) Bonds, 2020 Series A (the "Obligations"), of the Spackenkill Union Free School District, County of Dutchess, State of New York (the "Obligor"), dated June 24, 2020, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds, in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years 2021 to \_\_\_\_\_, both inclusive, and at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years \_\_\_\_\_ to \_\_\_\_\_, both inclusive, payable on June 1, 2021 and semi-annually thereafter on December 1 and June 1, and maturing in the amount of \$ \_\_\_\_\_ on June 1, 2021, \$ \_\_\_\_\_ on June 1, 2022, \$ \_\_\_\_\_ on June 1, 2023, \$ \_\_\_\_\_ on June 1, 2024, \$ \_\_\_\_\_ on June 1, 2025, \$ \_\_\_\_\_ on June 1, 2026, \$ \_\_\_\_\_ on June 1, 2027, \$ \_\_\_\_\_ on June 1, 2028, \$ \_\_\_\_\_ on June 1, 2029, \$ \_\_\_\_\_ on June 1, 2030, \$ \_\_\_\_\_ on June 1, 2031, \$ \_\_\_\_\_ on June 1, 2032, \$ \_\_\_\_\_ on June 1, 2033, \$ \_\_\_\_\_ on June 1, 2034, \$ \_\_\_\_\_ on June 1, 2035, and \$ \_\_\_\_\_ on June 1, 2036.

Obligations maturing on or before June 1, 2028 are not subject to redemption prior to maturity. Obligations maturing on June 1, 2029, and thereafter, will be subject to redemption prior to maturity, at the option of the Obligor, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after June 1, 2028 at par plus accrued interest to the redemption date.

We have examined:

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

of the Obligations and investment earnings thereon on certain specified purposes (the “Arbitrage Certificate”); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors’ rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors’ rights.
- (c) Interest on the Obligations are excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

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

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

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

Very truly yours,

/s/ORRICK, HERRINGTON & SUTCLIFFE LLP

FORM OF BOND COUNSEL'S OPINION

Spackenkill Union Free School District  
County of Dutchess,  
State of New York

July 7, 2020

Re: Spackenkill Union Free School District, Dutchess County, New York  
\$4,475,000 School District Refunding (Serial) Bonds, 2020 Series B

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$4,45,000 School District Refunding (Serial) Bonds, 2020 Series B (the "Obligations"), of the Spackenkill Union Free School District, County of Dutchess, State of New York (the "Obligor"), dated July 7, 2020, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds, in such amounts as hereinafter set forth, bearing interest at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years 2021 to \_\_\_\_\_, both inclusive, and at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum as to bonds maturing in each of the years \_\_\_\_\_ to \_\_\_\_\_, both inclusive, payable on June 1, 2021 and semi-annually thereafter on December 1 and June 1, and maturing in the amount of \$\_\_\_\_\_ on September 15, 2020, \$\_\_\_\_\_ on September 15, 2021, \$\_\_\_\_\_ on September 15, 2022, \$\_\_\_\_\_ on September 15, 2023, \$\_\_\_\_\_ on September 15, 2024, and \$\_\_\_\_\_ on September 15, 2025.

We have examined:

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

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

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations are excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

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

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

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

Very truly yours,

/s/ORRICK, HERRINGTON & SUTCLIFFE LLP