

NEW AND RENEWAL ISSUE**BOND ANTICIPATION NOTES**

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

The Notes will be "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.

**TOWN OF CARMEL
PUTNAM COUNTY, NEW YORK****\$4,516,000
BOND ANTICIPATION NOTES, 2018 SERIES A
(the "Notes")****Date of Issue: October 4, 2018****Maturity Date: October 4, 2019**

The Notes are general obligations of the Town of Carmel, Putnam County, New York (the "Town"), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to applicable statutory limitations. See "**Nature of Obligation**" and "**Tax Levy Limitation Law**," herein.

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

At the option of the purchaser(s), the Notes will be issued in (i) certificated registered form registered in the name of the successful bidder(s) or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for DTC.

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate(s). Principal of and interest on such Notes will be payable in Federal Funds by the Town to the registered owner(s).

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

The Notes are offered when, as and if issued and received by the purchaser(s) subject to the receipt of the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as otherwise agreed with the purchaser(s) on or about October 4, 2018.

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

Dated: September 12, 2018

**TOWN OF CARMEL
PUTNAM COUNTY, NEW YORK**

**Kenneth Schmitt
Supervisor**

TOWN BOARD

Michael Barile..... Councilman
John D. Lupinacci Councilman
Suzanne McDonough..... Councilwoman
Jonathan Schneider Councilman

TOWN OFFICIALS

Ann Spofford Town Clerk
Kathleen S. Kraus Receiver of Taxes
Glenn A. Droese..... Assessor
Mary Ann Maxwell..... Comptroller
Gregory Folchetti, Esq. Legal Counsel

INDEPENDENT AUDITORS

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No person has been authorized by the Town of Carmel to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, 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 changes in the affairs of the Town of Carmel since the date hereof.

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DECEMBER 31, 2017
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OFFICIAL STATEMENT
TOWN OF CARMEL
PUTNAM COUNTY, NEW YORK

relating to
\$4,516,000
BOND ANTICIPATION NOTES, 2018 SERIES A
(the “Notes”)

This Official Statement, which includes the cover pages, presents certain information relating to the Town of Carmel, in Putnam County, in the State of New York (the “Town,” “County,” and “State,” respectively), in connection with the sale of \$4,516,000 Bond Anticipation Notes, 2018 Series A (the “Notes”).

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

THE NOTES

Description

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

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

The Notes will be issued in registered form either registered in the name of the successful bidder(s) or registered to Cede & Co, as the partnership nominee for DTC. If the Notes are registered in the name of the successful bidder(s), the Town will act as Paying Agent for the Notes. The Town contact information is as follows: Mary Ann Maxwell, Comptroller, 60 McAlpin Avenue, Mahopac, New York 10541, (845) 628-1500 x. 175, e-mail: mam@ci.carmel.ny.us.

Authority for and Purpose of the Notes

The Notes are issued pursuant to the State Constitution and statutes of the State, including among others, the Town Law, the Local Finance Law, and bond resolutions adopted by the Town Board on various dates authorizing the issuance of serial bonds to pay the cost of certain improvements as indicated below. The proceeds of the Notes, plus \$353,862 of funds on hand will be used to redeem \$3,869,682 Bond Anticipation Notes, 2017 Series A at maturity on October 5, 2018 and provide \$1,000,000 of new money.

Date Authorized	Original Issue Date	Purpose	Amount Outstanding	Principal Paydown	New Money	Amount of The Notes
12-03-14	12-16-15	Long Pond Road Imp Dt	\$1,350,000	\$85,000	\$ 0	1,265,000
09-09-15	12-16-15	Carmel Sewer # 1	1,092,310	7,310	0	1,085,000
03-16-16	10-06-16	Carmel Sewer Dt #3	293,500	7,500	0	286,000
02-24-16	10-06-16	Carmel Sewer Dt #7	93,872	43,872	0	50,000
03-22-17	10-05-17	Drainage 2017	200,000	100,000	0	100,000
03-22-17	10-05-17	Roads 2017	750,000	100,000	0	650,000
06-28-17	10-05-17	Carmel Water District #9	90,000	10,000	100,000	180,000
04-02-18	10-04-18	Land Acquisition	0	0	900,000	900,000
			<u>\$3,869,682</u>	<u>\$353,682</u>	<u>\$1,000,000</u>	<u>\$4,516,000</u>

Book-Entry-Only System

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

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

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

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, 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 Town, 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 Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town 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 TOWN TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. IN ADDITION, THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENTS BY DTC OR ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES OR (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEOWNERS.

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

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON

THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

NATURE OF OBLIGATION

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

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

The Notes will be general obligations of the Town and will contain a pledge of the faith and credit of the Town 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 Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitations.

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

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

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

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

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

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

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

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

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (as amended, the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers (which are affected indirectly by applicability to their respective city) and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. As amended, the Tax Levy Limit Law expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“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 municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. The Notes when duly issued and paid for will constitute a contract between the Town and the holder thereof. Under current law, provision is made for contract creditors of the Town 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 Town upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

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

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

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

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

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

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MARKET FACTORS

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

There can be no assurance that the State appropriation for State aid to the Town will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the Town 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 Town can be paid only if the State has such monies available therefor. (See “State Aid” herein).

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

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if

interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

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

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

Cybersecurity

The Town, 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 Town 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 Town 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 Town 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 2016, of the State Comptroller designates the Town as “No Designation,” with a fiscal score of 0.0% and an environmental score of 5.0%.

See the State Comptroller’s official website for more information on FSMS.

The financial affairs of the Town are subject to periodic compliance reviews by OSC to ascertain whether the Town has complied with the requirements of various State and federal statutes. The last audit conducted by OSC was released on November 27, 2015. The purpose of the audit was to examine selected Town financial activities for the period January 1, 2014 through June 30, 2015. The complete report can be obtained from OSC’s website. Reference to this website implies no warranty of accuracy of information therein.

LITIGATION

Litigation. Various notices of claims have been filed against the Town; allegations in these matters relate to circumstances of false arrest, malicious prosecution, violation of civil rights or property damage. The plaintiffs in most of these actions are seeking money damages, however, in certain instances injunctive relief is requested. In the opinion of the Town Attorney, except as otherwise noted, the existing insurance coverage adequately protects the Town against these various claims and the financial exposure, if any, is not material.

The Town is currently defending several grievances filed by its labor unions with the Public Employment Relations Board ("PERB"). These include claims that 1) the Town unlawfully subcontracted certain work that had previously and exclusively been done by Town CSEA employees and 2) that the Town unilaterally transferred work that had been exclusively performed by Town PBA members to the Putnam County Sheriff's Office. The Town has timely filed answers with PERB denying all material allegations and asserting various defenses. Should the unions prevail, the Town could be liable to provide back pay and benefits. Town counsel continues to vigorously contest these petitions and is negotiating resolutions to these matters.

Risk Management. The Town purchases various insurance coverages to reduce its exposure to loss. The public officials and law enforcement policies provide coverage up to \$2 million for each policy. The general liability policy also covers up to \$2 million. In addition, the Town maintains an umbrella policy with a limit of \$10 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town also purchases conventional medical and workers' compensation coverage.

Tax Certiorari Claims. The Town is a party to various tax certiorari proceedings instituted by various taxpayers under Article 7 of the Real Property Tax Law. In these actions, taxpayers have claimed that real property assessments as presently determined are excessive, unequal or unlawful. Such claims seek to have the property assessment reduced and, generally, request a refund for a portion of the taxes previously paid. Claims of this nature are filed continuously and some cases may not be settled for several years or more. It is not unusual for certain taxpayers to have multiple pending claims affecting a period of years.

The Town historically has paid tax refunds from its General Fund budget. The Town had an assignment for tax certiorari \$770,000 as of December 31, 2017 for the payment of future tax refunds. Pursuant to the Local Finance Law, the Town may issue debt to finance tax refund payments.

Other. The Town is presently the subject of an investigation commenced by the United States Department of Justice concerning compliance with the provisions of the Americans with Disabilities Act at certain Town owned facilities. No right to sue letter has been issued and the investigation has been ongoing for over five years without comment from the USDOJ after responsive submissions were tendered by the Town.

There are currently two Notices of Violation filed by the New York State Department of Environmental Conservation with respect to operations of the Carmel Sewer District #1 collection system and Carmel Sewer District #5 wastewater treatment plant. These violations are currently in the compliance phase prior to scheduling of Administrative Hearings and will likely be addressed via consent order within 2018.

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 Town, threatened against or affecting the Town to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay some, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the Town.

TAX MATTERS

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

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

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

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect 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 Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, certain legislative proposals in recent years have been made that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. 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 Notes.

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

This Official Statement is in a form “deemed final” by the Town for purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the Town will provide an executed copy of its “Undertaking to Provide Notice of Materials Events” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the Town for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers;
- (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Town; (xiii) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, 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” of the issuer, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation, any of which affect security holders, if material; (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of an Issuer, if any such event reflects financial difficulties.

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

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

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

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

The Town’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Town, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Town to comply with the Undertaking will not constitute a default with respect to the Notes.

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

Continuing Disclosure Compliance History

The Town's 2008 through 2012 audits and accompanying annual financial information and operating data were filed late due to a misunderstanding in the required filing date which was thought to be not later than the last business day of each such succeeding fiscal year but should have been the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement was not available at that time, within sixty days following receipt by the Town of its audited financial statement. A Notice of Failure to Provide Annual Financial Information as Required was filed on September 22, 2014.

The Town is now aware of the required filing date and intends to file within the proscribed time in the future.

Capital Markets Advisors, LLC currently serves as Dissemination Agent for the Town's continuing disclosure.

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 Town in connection with this transaction.

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

RATING

The Town did not apply for a rating of the Notes. The Notes may be rated at the option and expense of the underwriter.

The Town's underlying rating by Moody's Investors Service ("Moody's") is "Aa1."

Such rating reflects only the view of such rating agency and any desired explanation of the significance of such rating should be obtained only 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 ratings will continue for any specified period of time or that such ratings will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such ratings may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from Mary Ann Maxwell, Comptroller, 60 McAlpin Avenue, Mahopac, New York, 10541, (845) 628-1500 x. 175, e-mail mam@ci.carmel.ny.us or from the Town'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 Town and the original purchasers or holders of any of the Notes.

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

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

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

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

Concurrently with the delivery of the Notes, the Town 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 Town, as to which no representation can be made.

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

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

TOWN OF CARMEL
PUTNAM COUNTY, NEW YORK

By: _____
Kenneth Schmitt
Supervisor and Chief Fiscal Officer

DATED: September 12, 2018

APPENDIX A

THE TOWN

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THE TOWN

There follows in this Official Statement a brief description of the Town together with certain information concerning its governmental organization, economy, indebtedness, and finances.

General Information

The Town encompasses approximately 36 square miles and is located in the south central portion of the County 35 miles north of New York City. The Town is a suburban community and is primarily residential in nature.

The Town's per-capita money income was \$42,053 in 2016 which was slightly more than the level for all County residents and 23% higher than the per-capita income for persons living in the State. The Putnam Hospital Center is the largest employer in the Town (and the County) with 900 employees. Many residents commute to jobs in Westchester County, which forms the Town's southern border, New York City, or nearby Connecticut. The County's average unemployment rate for 2017 was 4.3% and the average unemployment in the Town for 2017 was 4.3%.

Form of Government

The Town of Carmel was established in 1795 by the State as a separate political entity vested with independent taxing and debt authority. There are no incorporated villages situated within the Town's borders. The Town has portions of six independently governed school districts which rely on taxing powers granted by the State to raise revenues for school district purposes. The school districts use the Town's assessment roll as the basis for taxation of property within the Town.

Governmental operations of the Town are subject to the provisions of the State constitution and various statutes affecting local governments including Town Law, General Municipal Law and the Local Finance Law. Real property assessment and tax collection procedures are determined by the Real Property Tax Law. The Town is classified as a first class town under the provisions of the Town Law. The primary effect of first class status is to give greater flexibility to the way in which town government is organized and managed.

Elected and Appointed Officials

The Town Board is the legislative, appropriating, governing and policy determining body of the Town and consists of four councilpersons, elected at large to serve a four-year term, plus the Supervisor. Councilmen may serve an unlimited number of terms. It is the responsibility of the Town Board to enact, by resolution, all legislation including ordinances and local laws. Annual operating budgets for the Town must be approved by the Board; modifications and transfers between budgetary appropriations also must be authorized by the Board on the recommendation of the Supervisor. The original issuance of all Town indebtedness is subject to approval by the Town Board.

The Supervisor is the chief executive and chief fiscal officer of the Town and is elected for a two-year term of office with the right to succeed himself. In addition, the Supervisor is a full member of and the presiding officer of the Town Board. Duties of the Supervisor include: the administration of the Town's daily functions, budget preparation and control, and debt management.

The Town Clerk acts as the custodian of the Town's records as well as the clerk to the Town Board. Duties of this office include: recording and maintaining the minutes of the proceedings of the Town Board, issuing certain licenses and permits, and coordinating Town elections. The Town Clerk is elected to a two-year term and may serve an unlimited number of terms.

The Receiver of Taxes and Assessments is elected to serve a four-year term of office, the number of terms is not limited by law. It is the responsibility of the Receiver of Taxes and Assessments to receive and collect all county, town and school taxes, and all assessments levied or assessed in the Town.

The Town Comptroller, who is the chief accounting officer, is appointed by the Town Board, and serves at its pleasure. Duties and responsibilities of this position include: maintaining the Town's accounting systems and records, preparing the annual report to be filed with the State Comptroller, water billing and auditing vendor claims for payment.

The Town Assessor is appointed by the Town Board, on the Supervisor's recommendation, to serve a six-year term. It is the Assessor's responsibility to appraise real property in the Town for the purpose of preparing and maintaining tax assessment rolls in the form prescribed by the State Office of Real Property Tax Services (the "ORPTS"). ORPTS provides an advisory service to assist with the assessment of certain forested lands, public utilities or unusually complex properties. Assessment review procedures include examination of the tentative assessment roll in the Assessor's presence, a public hearing before an independent board of assessment review and, finally, judicial review in the State Supreme Court.

Services and Programs

The Town is responsible for providing most of the government services to its residents. Water, sewer, lighting, parks, ambulance and fire protection services are furnished by various special districts which have been formed within the Town. Education is provided by six central school districts which are as follows: Brewster, Carmel, Lakeland, Mahopac, North Salem and Putnam Valley (each district is independent of the Town and has separate taxing and debt authority). Highway construction and the maintenance of roads is also a Town function. In addition, recreation is provided and parks are maintained through the Town government. Other services performed at the Town level include: police protection, justice courts, property assessment, zoning administration and planning.

The County is responsible for providing social and mental health services to residents of the Town.

Employees

The Town employs approximately 272 full-time and part-time workers. Certain employees are represented by the following collective bargaining organizations.

	<u>Members</u>	<u>Contract Expiration</u>
Civil Service Employees Assoc.	33	12-31-17 ⁽¹⁾
Police Benevolent Assoc.	30	12-31-21
International Brotherhood of Teamsters	33	12-31-21
Exempt-Managerial/Elected	19	N/A

(1) In negotiations

Employee Benefits

Substantially all employees of the City are members of the New York State and Local Employees Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS") (ERS and PFRS are referred to collectively hereinafter as the "Retirement System" where appropriate). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become

voluntary. Members hired on or after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

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

Police officers and firefighters who are members of PFRS are divided into four tiers. As with ERS, retirement benefit plans available under PFRS are most liberal for Tier 1 employees. The plans adopted for PFRS employees are noncontributory for Tier 1 and Tier 2 employees. Police officers and firefighters that were hired between July 1, 2009 and January 8, 2010 are currently in Tier 3, which has a 3% employee contribution rate by members. There is no Tier 4 in PFRS. Police officers and firefighters hired after January 9, 2010 are in Tier 5 which also requires a 3% employee contribution from members. Police officers and firefighters hired after April 1, 2012 are in Tier 6, which also originally had a 3% contribution requirement for members for FY 12-13; however, as of April 1, 2013, Tier 6 PFRS members are required to contribute a specific percentage of their annual salary, as follows, until retirement or until the member has reached 32 years of service credit, whichever occurs first: \$45,000.00 or less contributes 3%; \$45,000.01 to \$55,000.00 contributes 3.5%; \$55,000.01 to \$75,000.00 contributes 4.5%; \$75,000.01 to \$100,000.00 contributes 5.75%; and more than \$100,000.00 contributes 6%.

Beginning July 1, 2013, a voluntary defined contribution plan option was made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn \$75,000 or more on an annual basis.

The New York State Retirement System allows municipalities to make employer contribution payments in December of each year, at a discount, or the following February, as required. The Town generally opts to make its pension payments in December in order to take advantage of the discount and this payment was made in December 2017 for the current year.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contributions for the State's Retirement System continue to be higher than the minimum contribution rate established by Chapter 49. Legislation was enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts that amortize their pension obligations pursuant to the regulation to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The Town does not currently amortize any pension payments.

On September 1, 2017, the State Comptroller announced for Fiscal Year 2018-19, the average contribution rates for ERS will decrease from 15.5% to 14.9%, and the average contribution rate for PFRS will decrease from 24.4% to 23.5%. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers.

In Spring 2013, the State and ERS approved a Stable Contribution Option ("SCO"), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contribution rates ("ARCs"). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount.

The Town pays its ERS and PFRS contributions on a pay as you go basis and does not expect to participate in the SCO in the foreseeable future.

ERS and PFRS Contributions. The current retirement expenditures presented in the Town's financial statements for each of the last five years and the amount budgeted for the most recent fiscal year are shown in the following table:

Fiscal Year Ended December 31:	ERS	PFRS
2013	\$1,067,137	\$1,208,481
2014	1,110,986	1,068,670
2015	1,034,621	968,548
2016	891,589	985,495
2017	1,029,998	1,129,680
2018 (Budget)	1,007,685	1,200,000

See “Notes to Financial Statements- Note 3” in the audited financial statements. Summary itself is not audited.

Other Postemployment Benefits

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”) requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) is determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Town account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every two years for the Town. The Town’s funding policy is to contribute the current annual premium (net of employee contributions) for retired participants (i.e. pay-as-you-go). Current New York State law does not permit municipalities to pre-fund medical benefit obligations. For the 2017 fiscal year the Town contributed \$1,280,000.

The Town is in compliance with the requirements of GASB 45. The Town has determined that its unfunded actuarial accrued liability (“UAAL”) for OPEB as of January 1, 2017 was \$54,150,000 and the Town's ARC was \$5,050,000. The Town’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both.

Legislation has been proposed to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State’s OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposed legislation, there are no limits on how much a local government can deposit into the trust. Such legislation was not

enacted into law in the last two legislative sessions. The Town cannot predict at this time whether such proposed legislation will be continued or enacted into law in the future

FINANCIAL FACTORS

Budgetary Procedure

The head of each administrative unit of the Town is required to file detailed estimates of revenues (other than real property taxes) and expenditures for the next fiscal year with the budget officer (Supervisor) on or before September 20th. Estimates for each fire district situated within the Town must also be filed with the budget officer by this date. After reviewing these estimates, the budget officer prepares a tentative budget which includes his recommendations. A budget message explaining the main features of the budget is also prepared at this time. The tentative budget is filed with the Town Clerk not later than the 30th of September. Subsequently, the Town Clerk presents the tentative budget to the Town Board at the regular or special hearing which must be held on or before October 5th. The Town Board reviews the tentative budget and makes such changes as it deems necessary and that are not inconsistent with the provisions of the law. Following this review process, the tentative budget and such modifications, if any, as approved by the Board become the preliminary budget. A public hearing, notice of which must be duly published in the Town's official newspaper, on the preliminary budget is generally required to be held on the Thursday immediately following the general election. At such hearing, any person may express his opinion concerning the preliminary budget; however, there is no requirement or provision that the preliminary budget or any portion thereof be voted on by members of the public. After the public hearing, the Town Board may further change and revise the preliminary budget. The Town Board, by resolution, adopts the preliminary budget as submitted or amended no later than November 20th, at which time, the preliminary budget becomes the annual budget of the Town for the ensuing fiscal year. Budgetary control during the year is the responsibility of the Supervisor who is assisted in this area by the Comptroller. However, any changes or modifications to the annual budget including the transfer of appropriations among line items must be approved by resolution of the Town Board.

A summary of the 2018 budget is presented in Appendix B.

Independent Audits

The Town retained the firm of PKF O'Connor Davies, LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ending December 31, 2017. Appendix B, attached hereto, presents excerpts from the Town's most recent audited reports covering the last five fiscal years. Appendix C contains a link to the 2017 fiscal year end audit.

In addition, the Town is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. See "The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews" herein.

Investment Policy

Pursuant to Section 39 of the State's General Municipal Law, the Town has an investment policy applicable to the investment of all moneys and financial resources of the Town. The responsibility for the investment program has been delegated by the Board to the Chief Financial Officer who was required to establish written operating procedures consistent with the Town's investment policy guidelines. According to the investment policy of the Town, 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 Town has designated any commercial bank authorized to do business in the State of New York as an official depository for Town funds and investments. The Town is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the Town 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 Town include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the Town (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 Town, but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The Town 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 Town, 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. Reverse repurchase agreements are not allowed under State law.

Collateral Requirements. All Town deposits in excess of the applicable insurance coverage provided 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 Towns’ 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 of such deposits in the event of a default. Securities not registered or inscribed in the name of the Town must be delivered, in a form suitable for transfer or with an assignment in blank, to the Town or its designated custodial bank. The custodial agreements used by the Town 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 or credit may be issued, in favor of the Town, 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 Town in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

Revenues

The Town derives its revenues, primarily from real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the years 2013-2017 is presented in Appendix B, hereto. Information for said fiscal years has been excerpted from the Town’s audited financial reports, however, such presentation has not been audited.

Property Taxes. The Town derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B.) Property taxes accounted for 74.6% of total general fund and other governmental funds revenues for the fiscal year ended December 31, 2017.

The following table sets forth total fund revenues and real property taxes received for each of the past five audited fiscal years and the amount budgeted for the current fiscal year.

Fund Revenues & Real Property Taxes⁽¹⁾

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Taxes to Revenues</u>
2013	\$17,402,901	\$13,234,122	76.1%
2014	17,989,772	13,886,014	77.2
2015	18,267,953	13,984,986	76.6
2016	19,145,057	14,213,362	74.2
2017	19,348,020	14,426,888	74.6
2018 (Budget)	19,687,002	15,063,390	76.5

(1) General Fund, exclusive of other financing sources.
Source: Audited Financial Statements and Adopted Budgets of the Town. Summary itself not audited.

State Aid. The Town receives financial assistance from the State. State Aid accounted for approximately 5.9% of the total general fund revenues of the Town in the 2017 fiscal year. A substantial portion of the State aid received is directed to be used for specific programs. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "MARKET FACTORS," herein.)

The following table sets forth total fund revenues and real property taxes received for each of the past five audited fiscal years and the amounts budgeted for the two most recent fiscal years.

Fund Revenues & State Aid Revenues⁽¹⁾

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>State Aid</u>	<u>State Aid to Revenues</u>
2013	\$17,402,901	\$1,104,076	6.3%
2014	17,989,772	882,779	4.9
2015	18,267,953	1,010,725	5.5
2016	19,145,057	1,239,521	6.5
2017	19,348,020	1,138,019	5.9
2018 (Budget)	19,687,002	1,097,612	5.6

(1) General Fund.
Source: Audited Financial Statements and Adopted Budgets of the Town. Summary itself not audited.

Sales Tax. Section 1210 of the New York Tax Law authorized the County to levy sales and compensating use taxes in addition to the 4% tax levied by the State, with an additional 3/8% to the MTA. Such sales and compensation use tax collections in New York are administered by the State Tax Commission and the proceeds are paid to the County monthly. Effective September 1, 2007, the County increased sales tax to the maximum 4% permitted. Although the County does level a sales tax, those moneys are not shared with the Town and are kept solely for the benefit of the County.

REAL PROPERTY TAXES

The Town derives its power to levy an ad valorem real property tax from the Constitution of the State. The Town is responsible for levying taxes for Town and special district operating purposes and for debt service. See “Tax Levy Limitation Law” herein.

Real Property Taxes, Assessments and Rates

The following table shows the trend during the last five years for real property tax and assessment levies and general purpose tax rates.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 (a)</u>
Town Tax Levy:					
General & Highway	\$20,741,876	\$21,257,624	\$21,727,825	\$22,048,322	\$22,948,369
Special Districts (incl. Fire Districts)	13,979,631	14,106,431	12,854,009	12,932,844	12,957,086
County Tax Levy (b)	16,961,430	17,572,215	17,924,522	17,635,726	18,340,584
Tax Rates: (c)					
Town Tax	\$7.85	\$8.04	\$8.22	\$8.35	\$4.93
County Tax	4.78	4.95	5.14	5.24	3.10
School (Range)(d)	32/45	27/46	32/49	35/50	20/29

- (a) Reassessment to 100%.
- (a) Excludes relieved school taxes.
- (b) Tax rate per \$1,000 A.V. for general town purposes, special districts are not included.
- (c) For school taxes due September 1 of preceding year.

Tax Collection Procedures

The assessment and collection of real property taxes is governed by the Real Property Tax Law of the State. Towns in the County are responsible to assess all real property within their boundaries and to collect real property taxes and assessments, including those for school district and County purposes, during the times prescribed by law.

Although the Town collects County and school taxes, it is the responsibility of the County to guarantee both Town and school district taxes and enforce the collection thereof. The Town retains the first moneys collected on the combined Town and County tax bills and therefore receives 100% of its levy. School taxes are paid over to schools only as collected by the Town. Unpaid school taxes are the County's responsibility.

Town and County real property taxes as well as Town special district assessments are levied on January 1 and become a lien against the property on this date. Tax bills include all taxes and assessments due to the Town and County. Pursuant to the Real Property Tax Law, taxes and assessments are due on January 1 and may be paid, without interest, at any time during the month of January. Payments received after January 31 must include interest at a rate of 1% per month. Taxpayers may elect to pay their taxes in two installments by paying 50% of the total tax due on or before January 31. The second installment may be paid to the Town on any date prior to August 1 with interest at 1% per month from February 1.

The Town collects all taxes (both installment and non-installment from January 1 until April 1 (Statutory date which historically has been extended by the County to May 1). During this time, the Town retains the first moneys to satisfy its own levy and thereafter remits all tax collections to the County. The Town transmits a list of wholly unpaid taxes to County on or about April 1. Accrued interest on such wholly unpaid taxes is deducted by the Town from moneys otherwise payable to the County. A 5% penalty is added to such taxes by the County, which collects these taxes with interest computed at 1% per month from February 1. The Town continues to collect the second installment through July 31. Because the Town's levy is usually satisfied by February or March, these taxes are held

and periodically paid over to the County. A listing of unpaid second installments together with the tax rolls are transmitted to the County shortly after July 31. The County adds a 5% penalty to unpaid installment taxes and continues to collect these and wholly unpaid taxes until the tax sale. Such tax sale is generally held in December of each year.

The Town also collects school taxes on behalf of three of the six districts located within its boundaries. However, the County guarantees unpaid school taxes and enforces the payment thereof. School taxes are due and payable on September 1 and may be paid in two installments if 50% of the total tax plus 2% interest is paid on or before September 15. Payments made after September 15 must include the full amount of the tax and applicable interest, if any. School taxes may be paid in full without interest on or before September 30. During the month of October, interest at 2% per annum is added to all payments. All unpaid school taxes, as of November 1, and the tax rolls are turned over to County. The County pays each school district the full amount of its unpaid taxes and thereafter collects the second installment of school taxes. Ultimately, unpaid school taxes are enforced by the County in the same manner as any other real property tax.

Ten of the Largest Taxpayers

The following table presents the taxable assessments of the Town's larger taxpayers as listed on the 2017 tax roll for 2018 taxes.

**Larger Taxable Properties in the Town
2018 Tax Roll**

<u>Taxpayer's Name</u>	<u>Nature Of Business</u>	<u>Assessed Valuation</u>	<u>% Of Total Assessed Valuation ⁽¹⁾</u>
New York City Department of Water	City Reservoir System	\$194,346,077	4.18%
Energy East (NYSEG)	Public Utility	19,647,780	0.42
Verizon ⁽²⁾	Public Utility	9,298,697	0.20
Putnam Plaza, LLC	Shopping Center	8,950,000	0.19
Mahopac Improvements LLC	Shopping Center/Bank Branch	8,287,400	0.18
HRE Properties (Shoptite)	Shopping Center	7,550,000	0.16
Liberty Health Care of New York, Inc.	Health Facility	6,635,800	0.14
Ossi Sport Club, Inc.	Sports Club	5,890,920	0.13
Mahopac Drive-In Theatre	Shopping Center	5,250,000	0.11
Hudson Valley Realty Corp	Real Estate	1,300,000	0.03
		<u>\$267,156,674</u>	<u>5.74%</u>

(1) Taxable assessed valuations of the Town for 2018 is \$4,652,642,800.
(2) Taxpayer has outstanding tax certiorari claims for one or more years (see "Litigation" for a general discussion of these matters).

TOWN INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the Town (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 Town and its obligations.

Purpose and Pledge. Subject to certain enumerated exceptions, the Town 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 Town may contract indebtedness only for a Town 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 Town determines to issue a particular debt obligation amortizing on the basis of substantially level or annual declining annual debt service. The Town 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 Town has the power to contract indebtedness for any Town 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 Town, 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.

Statutory Procedure

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

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Town voters at the discretion of the Town Board.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Town has complied with such procedure for the validation of the bond resolution adopted in connection with this issuance.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements.")

In addition, under each bond resolution, the Town Board may delegate the power to issue and sell bonds and notes to the Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes, capital notes, deficiency notes and budget notes.

Constitutional Debt-Contracting Limitation

ORPTS annually establishes State equalization rates for all assessing units in the State, including the Town, which are determined by statistical sampling of market/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 Town is not subject to a constitutional real property taxing limitation but has a debt contracting limitation equal to seven percent (7%) of average full valuation (See “Constitutional Requirements, Debt Limit,” herein). See also “Tax Levy Limitation Law” herein.

The Town determines the assessed valuation for taxable real properties. The ORPTS determines the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Certain properties are taxable for school purposes but exempt for Town purposes.

ORPTS annually establishes State equalization rates for all assessing units in the State, including the Town, which are determined by statistical sampling of market/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 Town is not subject to a constitutional real property taxing limitation but has a debt contracting limitation equal to seven percent (7%) of average full valuation (See “Constitutional Requirements, Debt Limit,” herein).

The following table sets forth the Town's debt-contracting limitation.

**Computation of Constitutional
Debt Contracting Limitation
As of September 2, 2018**

Assessment Roll Filed	Year Ending December 31:	Taxable Assessed Valuation	State Equalization Rate (1)	Full Valuation
2013	2014	\$2,641,675,140	62.60%	\$4,219,928,339
2014	2015	2,643,957,750	62.60	4,223,574,681
2015	2016	2,642,754,879	60.00	4,404,591,465
2016	2017	2,639,867,879	59.00	4,474,352,337
2017	2018	4,654,875,787	100.00	4,654,875,787
Total Five-Year Full Valuation				21,977,322,609
Five-Year Average Full Valuation				4,395,464,522
Debt Contracting Limitation: 7% of Five-Year Average Full Valuation				\$ 307,682,517

(1) ORPTS.

**Statement of Debt Contracting Power
As of September 2, 2018**

	Amount	Percentage
Debt Contracting Limitation	\$307,682,517	100.00%
Gross Indebtedness:		
Serial Bonds	19,785,000	6.43
Bond Anticipation Notes	3,869,682	1.26
	23,654,682	7.69
Less Exclusions and Deductions:		
Appropriations for Non-Exempt Debt	1,028,670	1.39
Water Indebtedness (1)	4,286,984	0.33
	5,315,654	1.73
Net Indebtedness	18,339,028	5.96
Debt Contracting Margin	\$289,343,489	94.04

(1) Exempt pursuant to State Constitution.

Short-Term Indebtedness

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

Capital Purposes. Bond anticipation notes may be sold to provide moneys for capital projects once an enabling bond resolution has been adopted. Generally, bond anticipation notes are issued in the anticipation of the sale of bonds at some future date and may be renewed from time to time up to five years in most cases. Such notes may not be renewed after the second year, unless there is a principal payment on the notes from a source other than the proceeds of bonds. In no event, may bond anticipation notes be renewed after the sale of bonds in anticipation of which the notes were originally issued. Capital notes may be issued to finance any capital purposes; the term for capital notes is generally limited to two years. The following table shows the amount of bond anticipation notes outstanding at the end of the last five years.

Short-Term Indebtedness Outstanding December 31:

	2013	2014	2015	2016	2017
Bond Anticipation Notes	\$4,476,200	\$3,728,000	\$3,848,310	\$4,996,182	\$3,869,682

Bond Anticipation Notes

The Town has the following bond anticipation notes outstanding. These notes will be redeemed from proceeds of the Notes and \$353,682 of cash on hand.

**Bond Anticipation Notes
As of September 2, 2018**

<u>Date Authorized</u>	<u>Original Issue Date</u>	<u>Purpose</u>	<u>Amount Outstanding</u>
12-03-14	12-16-15	Long Pond Road Imp Dt	\$1,350,000
09-09-15	12-16-15	Carmel Sewer # 1	1,092,310
03-16-16	10-06-16	Carmel Sewer Dt #3	293,500
02-24-16	10-06-16	Carmel Sewer Dt #7	93,872
03-22-17	10-05-17	Drainage 2017	200,000
03-22-17	10-05-17	Roads 2017	750,000
06-28-17	10-05-17	Carmel Water District #9	90,000
			<u>\$3,869,682</u>

Operating Purposes. The Town is authorized by law to issue tax anticipation notes and revenue anticipation notes to provide cash to pay operating expenditures. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law as well as the regulations issued under the U.S. Internal Revenue Code. Notes may be renewed from time to time generally not beyond the third year after issuance in the case of revenue anticipation notes and five years for tax anticipation 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, unless issued after adoption of the ensuing year's budget, in which case, must be redeemed by the end of the second year after issuance. The Town has not borrowed for cash flow or working capital needs since 1994 and does not anticipate the need to borrow this year.

Trend of Capital Debt

The following table sets forth the gross amount of bonded debt outstanding at the end of each of the last five years:

	Bonded Debt				
	Fiscal Year Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonded Indebtedness	\$25,147,000	\$23,480,000	\$23,068,000	\$21,040,000	\$20,610,000
Bond Anticipation Notes	<u>4,476,200</u>	<u>3,728,000</u>	<u>3,848,310</u>	<u>4,996,182</u>	<u>3,869,682</u>
Total Outstanding					
Indebtedness	<u>\$29,623,200</u>	<u>\$27,208,000</u>	<u>\$26,916,310</u>	<u>\$26,036,182</u>	<u>\$24,479,682</u>

Overlapping Debt

The real property taxpayers of the Town are responsible for a proportionate share of outstanding debt obligations of the County and various school districts situated in the Town. Such taxpayers' share of this overlapping debt is based upon the amount of the Town's equalized property values taken as a percentage of each separate units' total values. The following table presents the amount of overlapping debt and the Town's share of this debt as of the dates indicated; authorized but unissued debt has not been included.

Direct and Overlapping Indebtedness As of September 2, 2018

Gross Direct Indebtedness	\$ 23,654,682
Exclusions and Deductions	<u>5,315,654</u>
Net Direct Indebtedness	<u>\$ 18,339,028</u>

<u>Overlapping Units</u>	<u>Date Of Report</u>	<u>Net Overlapping Indebtedness</u>	<u>Percentage Applicable</u>	<u>Applicable Net Indebtedness</u>
County	08-31-17	\$55,903,350	33.90%	\$18,951,236
School Districts				
Brewster	06-16-18	67,080,358	0.85	570,183
Carmel	12-20-17	20,610,000	28.80	5,935,680
Lakeland	07-16-18	34,669,196	3.69	1,279,293
Mahopac	07-16-18	6,635,518	95.50	6,336,920
North Salem	05-23-18	6,505,000	3.94	256,297
Putnam Valley	12-20-17	10,935,000	0.35	<u>38,273</u>
				<u><u>\$33,367,882</u></u>

Debt Ratios

The following table presents certain ratios relative to the Town's capital indebtedness.

Direct and Overlapping Debt Ratios As of September 2, 2018

	<u>Amount</u>	<u>Debt Per-Capita (a)</u>	<u>Debt To Estimated Full Value (b)</u>	<u>Per Capita Debt/Per Capita Income (c)</u>
Gross Direct Debt	\$18,339,028	\$ 688	0.51	1.64%
Net Direct Debt	18,339,028	534	0.39	1.27
Net Direct and Overlapping Debt	51,706,909	1,504	1.11	3.58

(a) The population of the Town according to the American Community Survey 5-Year estimated data 2016 is 34,370.

(b) Full valuation for 2018 is \$4,652,642,800.

(c) The Town's per capita-income according to the American Community Survey 5-Year estimated data 2016 is \$42,053.

Authorized But Unissued Debt

The Town has authorized and unissued \$5,545,000 for various projects which it anticipates issuing as bond anticipation notes in November/December 2018.

Debt Service Schedule

The following table shows the debt service requirements to maturity on the Town's outstanding general obligation bonds.

Years Ending Dec. 31:	Outstanding Bonds ⁽¹⁾ :			Cumulative % Principal
	Principal Payment	Interest Payment	Total Debt Service	
2018 ⁽²⁾	\$1,880,000	\$ 723,426	\$ 2,603,426	9.12%
2019	1,845,000	661,296	2,506,296	18.07
2020	1,835,000	595,247	2,430,247	26.98
2021	1,575,000	528,953	2,103,953	34.62
2022	1,415,000	473,893	1,888,893	41.48
2023	1,310,000	423,954	1,733,954	47.84
2024	1,240,000	376,198	1,616,198	53.86
2025	1,265,000	330,912	1,595,912	60.00
2026	1,300,000	283,840	1,583,840	66.30
2027	975,000	243,392	1,218,392	71.03
2028	775,000	209,424	984,424	
2029	805,000	184,336	989,336	
2030	825,000	157,485	982,485	
2031	655,000	130,064	785,064	
2032	670,000	106,162	776,162	
2033	645,000	81,696	726,696	
2034	280,000	58,549	338,549	
2035	285,000	47,557	332,557	
2036	295,000	36,352	331,352	
2037	305,000	24,633	329,633	
2038	310,000	12,388	322,388	
2039	120,000	4,200	124,200	
	<u>\$20,610,000</u>	<u>\$5,693,957</u>	<u>\$26,303,957</u>	

- (1) The Town currently has outstanding \$6,655,000 principal amount of bonds issued through the State Environmental Facilities Corporation State Revolving Fund program. Pursuant to these financings, the Town expects to receive \$1,116,060 of interest subsidies over the remaining life of said bonds. These subsidies are not reflected in the interest figures shown above.
- (2) As of September 2, 2018, the Town has paid \$825,000 principal of and \$395,866 interest on serial bonds due during 2018.

ECONOMIC AND DEMOGRAPHIC DATA

Population

Population in the Town grew rapidly after World War II. The growth rate reached a high point during the 1960's. Population has continued to grow since the 1970 Census but at a more moderate rate. The population of the Town, according to 2016 data released by the U.S. Census Bureau (American Community Survey), is 34,370 which represents a 0.2% increase since 2010.

	<u>Population</u>			<u>% Change</u>	
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2000-2010</u>	<u>2010-2016</u>
Town	33,006	34,305	34,370	3.9%	0.2%
County	95,745	99,710	99,408	4.1	(0.3)
State	18,976,457	19,378,102	19,697,457	2.1	1.6

Source: U.S. Department of Commerce, Bureau of the Census.

Income

The table below shows the growth in per capita money income.

	<u>Per Capita Money Income</u>		
	<u>2010</u>	<u>2016</u>	<u>% Change</u>
Town	\$39,060	\$42,053	7.7%
County	37,915	41,993	10.8
State	30,948	34,212	10.5

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

Median Income of Families 2016

	<u>Median</u> <u>Income</u>	<u>Income Groups - % of Families</u>				
		<u>Under</u> <u>\$25,000</u>	<u>\$25,000</u> <u>-49,999</u>	<u>\$50,000</u> <u>-74,999</u>	<u>\$75,000</u> <u>-99,999</u>	<u>\$100,000</u> <u>Or More</u>
Town	\$115,719	3.2%	9.2%	12.3%	16.4%	58.8%
County	113,770	4.8	9.6	13.8	15.4	56.4
State	74,036	15.5	18.6	16.5	13.2	36.3

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

Employment

The following section presents various employment statistics including job types, unemployment rates and major employers. Certain tables provide data for the County as a whole and, as such, do not necessarily represent conditions in the Town.

Average Employed Civilian Labor Force 2000 - 2017

	2000	2010	2017	% Change	
				2000-2010	2010-2017
Town	17,400	16,700	17,000	(4.0)%	1.8%
County	50,500	48,800	49,200	(3.4)	0.8
State	8,718,700	8,769,700	9,242,200	0.6	5.5

Source: New York State Department of Labor.

Average Unemployment Rates

Year	Town	County	State	United States
2013	6.1%	6.1%	7.7%	7.4%
2014	5.1	4.9	6.3	6.2
2015	4.5	4.3	5.3	5.5
2016	4.0	4.0	4.8	8.9
2017	4.3	4.3	4.7	4.4
2018: ⁽¹⁾				
Jan	4.5	4.7	5.1	4.5
Feb	4.7	5.0	5.1	4.4
Mar	4.1	4.4	4.8	4.1
Apr	3.6	4.0	4.3	3.7
May	3.4	3.5	3.7	3.6
Jun	3.8	3.8	4.2	4.2
Jul	4.0	3.8	4.2	4.1

(1) Monthly Rates
Source: New York State Department of Labor.

Major Employers in the County (PUBLIC SECTOR ONLY)

Name	Industry or Business	Number of Employees
Mahopac Central School District	Public Education	773
Carmel Central School District	Public Education	712
Putnam County	County Government	700
Brewster Central School District	Public Education	520
Putnam Valley Central School District	Public Education	290
Haldane Central School District	Public Education	185
Town of Carmel	Town Government	159

Source: Putnam County Official Statement dated June 2016.

Major Employers in the County
(PRIVATE SECTOR ONLY)

Name	Industry or Business	Number of Employees
Putnam Hospital Center	Health Services	938
Green Chimneys	Services	502
Putnam Associated Resource Center	Services	375
Cerebral Palsy of Putnam and Dutchess	Services	264
Big V ShopRite Supermarket	Food Service & Retail	250
Arms Acres, Inc.	Services	230
CareMount Medical PC	Health Services	223
Ace Endico	Food Service & Retail	202
Putnam Precision Products, Inc.	Manufacturing	200
Graymoor	Services	200
Acme Supermarkets (3 locations)	Food Service & Retail	172
Home Depot	Retail	150
DeCiccio Family Market	Food Service & Retail	150
K-Mart	Retail	150
TOPS	Food Service & Retail	125
NYS Electric and Gas Corp.	Public Utility	119
Powers Fasteners, Inc	Manufacturing	107
Kohl's Department Store	Retail	100
Dairy Conveyor Corp.	Manufacturing	100
Clancy Moving Systems	Services	97
Hipotronics, Inc.	Manufacturing	96
Putnam County Savings Bank (4 locations)	Banking	95
Lamothermic Corporation	Manufacturing	75
Mahopac National Bank	Banking	74
MV Contract Transportation	Transportation	72
Akzo Nobel Corp.	Manufacturing	70
Unilock	Manufacturing	70

Source: Putnam County Official Statement dated September 2017.

Financial Institutions

Various banking facilities are available in the Town and adjacent areas. Many of the State's major commercial banks have branch offices located in the area. TD Bank, N.A., Key Bank, Provident Bank, the Putnam County National Bank, Hudson City Savings Bank, the Putnam County Savings Bank and Wells Fargo, N.A. are all located within the Town.

Transportation

The Town is served by all major forms of transportation. Highway facilities include U.S. Route 6, and Taconic Parkway (generally limited to passenger vehicles) running through the Town while Interstate 84 and 684 are nearby. Commuter rail transportation is provided by the Harlem Division of the Metropolitan Transportation Authority. Freight rail service is provided by Conrail. Domestic and international airline service is available at the New York airports (LaGuardia Airport, Newark Airport and Kennedy International Airport) which are located within one hour traveling time. Additional air service is available at the Westchester County Airport situated 30 miles south of the Town and Stewart International Airport located about 40 minutes away in Newburgh, New York.

Utilities

Energy East (formerly New York Electric & Gas), CH Energy Group Gas and Electric and Verizon provide residents with basic utilities. Verizon also provides internet and cable services to Town residents. Cablevision provides cable, internet and telephone services over its lines. Water and sewer service is comprised of largely municipal systems provided through special districts of the Town.

Housing Data

**Housing Stock
2000 - 2016**

	Number of Units			% Change	
	2000	2010	2016	2000-2010	2010-2016
Town	11,283	12,348	12,300	9.4%	(0.4)%
County	35,030	38,224	38,321	9.1	0.2
State	7,679,307	8,108,103	8,191,568	5.6	1.0

Source: U.S. Department of Commerce, Bureau of the Census.

**Median Housing Values and Rents
2016**

	% Constructed 2010-2016	Median Value	Median Rents	Occupancy Status		
		Owner Occupied Units	Renter Occupied Units	Owner Occupied	Renter Occupied	Vacant
Town	1.2%	\$377,000	\$1,307	77.2%	16.1%	6.7%
County	1.1	354,800	1,234	73.0	16.0	11.0
State	1.3	286,300	1,159	47.5	41.2	11.3

Source: U.S. Department of Commerce, Bureau of the Census.

END OF APPENDIX A

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APPENDIX B

UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

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**TOWN OF CARMEL
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION**

	AS OF DECEMBER 31:				
	2013	2014	2015	2016	2017
ASSETS					
Cash	\$ 2,468,319	\$ 3,940,647	\$ 4,621,028	\$ 5,740,231	\$ 6,702,832
Investments	1,192,724	1,192,724	1,197,236	1,199,638	1,202,039
Other Receivables:					
Accounts	313,193	268,521	276,645	285,506	280,162
State and Federal Aid	363,307	222,742	211,314	258,009	270,592
Due From Other Funds	152,897	100,249	30,249	10,249	10,249
Prepaid Expenditures	514,577	450,029	393,897	389,280	408,839
Total Assets	\$ 5,005,017	\$ 6,174,912	\$ 6,730,369	\$ 7,882,913	\$ 8,874,713
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 185,932	\$ 353,646	\$ 160,427	\$ 145,776	\$ 245,603
Accrued Liabilities	212,574	583,957	720,531	454,068	72,450
Due To Other Governments	0	9,583	12,151	12,407	0
Due To Other Funds	0	0	0	0	0
Unearned Revenues	30,563	7,157	3,867	8,760	18,399
Deposits Payable	128,233	128,310	128,365	128,658	127,843
Total Liabilities	557,302	1,082,653	1,025,341	749,669	464,295
Fund Balance:					
Nonspendable:					
Restricted	514,577	450,029	393,897	389,280	408,839
Committed	1,200,000	1,200,000	1,200,000	1,640,000	1,815,000
Assigned	680,000	1,050,000	1,050,000	1,300,000	1,550,000
Unassigned	825,713	859,518	888,210	922,275	1,148,818
Total Fund Balance	1,227,425	1,532,712	2,172,921	2,881,689	3,487,761
Total Fund Balance	4,447,715	5,092,259	5,705,028	7,133,244	8,410,418
Total Liabilities and Fund Balance	\$ 5,005,017	\$ 6,174,912	\$ 6,730,369	\$ 7,882,913	\$ 8,874,713

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

**TOWN OF CARMEL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION**

YEARS ENDED DECEMBER 31:

	2013	2014	2015	2016	2017
REVENUES:					
Real Property Taxes	\$ 13,234,122	\$ 13,886,014	\$ 13,984,986	\$ 14,213,362	\$ 14,426,888
Other Tax Items	126,444	103,429	105,858	111,430	97,277
Non-Property Taxes	681,913	723,655	756,297	783,876	792,166
Departmental Income	1,401,273	1,451,832	1,449,508	1,498,754	1,537,063
Use Of Money And Property	51,324	54,015	53,980	57,899	90,098
Licenses and Permits	509,276	529,877	509,050	705,925	642,631
Fines and Forfeitures	115,182	114,534	102,697	189,301	175,937
Sale Of Property And Compensation For Loss	32,257	44,199	61,663	35,973	103,336
Interfund Revenue	65,973	91,671	77,100	79,215	89,221
State Aid	1,104,076	882,779	1,010,725	1,239,521	1,138,019
Federal Aid	27,652	0	0	0	0
Miscellaneous	53,409	107,767	156,089	229,801	255,384
Total Revenues	17,402,901	17,989,772	18,267,953	19,145,057	19,348,020
EXPENDITURES:					
			76.6%	74.2%	5.9%
Current:					
General Government Support	4,406,098	4,815,824	5,550,439	4,962,266	5,504,558
Public Safety	8,990,193	9,137,215	8,938,639	9,129,991	9,259,369
Health	18,261	18,206	17,614	17,514	17,714
Transportation	613,752	584,398	576,801	611,814	662,952
Culture And Recreation	1,392,160	1,455,754	1,393,243	1,495,902	1,553,680
Home And Community	325,021	336,831	333,448	379,354	382,573
Employee Benefits	0	0	0	0	0
Total Expenditures	15,745,485	16,348,228	16,810,184	16,596,841	17,380,846
Excess of Revenues Over Expenditures	1,657,416	1,641,544	1,457,769	2,548,216	1,967,174
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	11,800	5,000	5,000	0	0
Operating Transfers - Out (a)	(864,500)	(1,002,000)	(850,000)	(1,120,000)	(690,000)
Total Other Financing Sources (Uses)	(852,700)	(997,000)	(845,000)	(1,120,000)	(690,000)
Net Change in Fund Balance	804,716	644,544	612,769	1,428,216	1,277,174
Fund Balance - Beginning of Year	3,642,999	4,447,715	5,092,259	5,705,028	7,133,244
Fund Balance - End of Year	\$ 4,447,715	\$ 5,092,259	\$ 5,705,028	\$ 7,133,244	\$ 8,410,418

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

**TOWN OF CARMEL
SPECIAL REVENUE FUNDS*
BALANCE SHEET
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS					
Cash	\$ 3,621,613	\$ 4,989,684	\$ 5,354,886	\$ 6,679,610	\$ 8,035,554
Investments	0	0	0	5,501,468	6,226,508
Receivables:					
Accounts	366,531	430,346	416,570	436,725	447,555
Water and Sewer Rents	261,803	208,281	304,303	302,935	256,034
Due From Other Funds	200,000	200,000	200,000	0	0
Due From Other Governments	477,841	228,495	243,810	256,295	251,811
State and Federal Aid	123,120	136,154	281,995	57,788	433,817
Prepaid Expenditures	<u>123,500</u>	<u>117,500</u>	<u>112,500</u>	<u>97,000</u>	<u>128,875</u>
Total Assets	<u>\$ 5,174,408</u>	<u>\$ 6,310,460</u>	<u>\$ 6,914,064</u>	<u>\$ 13,331,821</u>	<u>\$ 15,780,154</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 919,274	\$ 1,071,893	\$ 1,017,550	\$ 1,090,506	\$ 864,801
Accrued Liabilities	174,689	370,000	660,416	11,908	13,810
Due To Other Funds	290,000	290,000	220,000	0	0
Deferred Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>1,383,963</u>	<u>1,731,893</u>	<u>1,897,966</u>	<u>1,102,414</u>	<u>878,611</u>
Fund Balance:					
Nonspendable	123,500	117,500	112,500	97,000	128,875
Restricted	2,029,792	2,158,311	1,884,631	7,364,284	2,415,920
Assigned	<u>1,637,153</u>	<u>2,302,756</u>	<u>3,018,967</u>	<u>4,768,123</u>	<u>12,356,748</u>
Total Fund Balance	<u>3,790,445</u>	<u>4,578,567</u>	<u>5,016,098</u>	<u>12,229,407</u>	<u>14,901,543</u>
Total Liabilities and Fund Balance	<u>\$ 5,174,408</u>	<u>\$ 6,310,460</u>	<u>\$ 6,914,064</u>	<u>\$ 13,331,821</u>	<u>\$ 15,780,154</u>

* Statement includes the following funds: Highway and Special Districts Fund which includes the following districts: Fire Protection, Park, Lighting, Sewer, Water, Garbage and Ambulance.

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

**TOWN OF CARMEL
SPECIAL REVENUE FUNDS*
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION**

YEARS ENDED DECEMBER 31:

	2013	2014	2015	2016	2017
REVENUES:					
Real Property Taxes	\$ 16,579,067	\$ 17,867,351	\$ 18,588,188	\$ 18,815,772	\$ 18,977,790
Other Tax Items	32,524	36,184	44,041	65,663	44,926
Departmental Income	1,604,038	1,596,444	1,891,858	1,949,831	1,807,290
Use Of Money And Property	45,041	45,363	42,946	329,882	691,028
Sale Of Property And Compensation For Loss	152,346	86,581	81,784	61,826	94,734
State Aid	268,679	182,280	329,278	569,724	442,958
Federal Aid	350,985	0	0	33,415	21,941
Miscellaneous	735,761	624,620	605,719	699,573	747,777
Total Revenues	19,768,441	20,438,823	21,583,814	22,525,686	22,828,444
EXPENDITURES:					
Current:					
Public Safety	3,498,749	3,627,143	3,791,014	3,151,217	3,229,103
Health	202,539	204,270	206,562	190,750	181,009
Transportation	6,226,355	6,334,592	6,800,670	6,767,573	7,200,467
Culture And Recreation	135,466	216,765	217,985	187,026	222,030
Home And Community Services	7,840,373	8,091,986	8,540,687	8,385,327	8,045,829
Total Expenditures	17,903,482	18,474,756	19,556,918	18,681,893	18,878,438
Excess of Revenues Over Expenditures	1,864,959	1,964,067	2,026,896	3,843,793	3,950,006
OTHER FINANCING SOURCES (USES):					
Transfers - In	774,112	1,001,930	857,230	911,280	947,820
Transfers - Out (a)	(1,986,712)	(2,177,875)	(2,446,595)	(4,424,223)	(2,225,690)
Total Other Financing Sources (Uses)	(1,212,600)	(1,175,945)	(1,589,365)	(3,512,943)	(1,277,870)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	652,359	788,122	437,531	330,850	2,672,136
Cumulative Effect of Change in Accounting Principal	0	0	0	6,882,459	
Fund Balances - Beginning of Year	3,138,086	3,790,445	4,578,567	11,898,557	12,229,407
Fund Balances - End of Year	\$ 3,790,445	\$ 4,578,567	\$ 5,016,098	\$ 12,229,407	\$ 14,901,543

* Statement includes the following funds: Highway and Special Districts Fund which includes the following districts: Fire Protection, Park, Lighting, Sewer, Water, Garbage and Ambulance.

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**TOWN OF CARMEL
2018 OPERATING BUDGET**

	General Fund	Highway Fund	Debt Service	Water Districts	Lighting Districts	Sewer Districts	Ambulance District No. 1	Fire Protection Districts	Park Districts	Reed Memorial Library	Garbage District	Totals
ESTIMATED REVENUES:												
Real Property Taxes And Assessments	\$ 15,063,390	\$ 7,884,979	\$ 0	\$ 2,137,157	\$ 180,949	\$ 36,270	\$ 249,700	\$ 3,813,422	\$ 252,035	\$ 275,170	\$ 2,693,220	\$ 29,617,902
Real Property Tax Items	108,500	0	0	39,395	0	2,321,026	0	0	0	0	0	2,468,921
Non-Property Tax Items	810,000	0	0	0	0	0	0	0	0	0	0	810,000
Departmental Income	590,400	0	0	1,786,785	0	3,000	0	0	2,800	0	0	2,382,985
Intergovernmental Services	910,000	10,000	0	0	0	0	0	0	0	0	0	920,000
Use Of Money And Property	60,000	8,000	6,560	4,001	436	33,048	500	610	792	0	1,780	113,947
Licenses And Permits	539,500	0	0	0	0	0	0	0	0	0	0	539,500
Fines And Forfeitures	150,000	0	0	0	0	0	0	0	0	0	0	150,000
Sale Of Property And Compensation For Loss	30,600	39,600	0	6,200	0	500	0	0	0	0	0	76,900
Interfund Revenues	80,000	0	0	310,371	0	0	0	0	0	0	0	390,371
State Aid	1,097,612	585,498	0	0	0	382,959	0	0	0	0	0	2,066,069
Federal Aid	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	247,000	80,500	0	1,000	0	562,550	0	0	0	0	0	891,050
Total Estimated Revenues	19,687,002	8,608,577	6,560	4,284,909	181,385	3,339,353	250,200	3,814,032	255,627	275,170	2,695,000	40,427,645
APPROPRIATIONS:												
Current:												
General Government Support	\$ 5,890,272	0	6,819	0	0	0	0	0	0	0	0	5,897,091
Public Safety	10,298,892	0	0	0	0	0	0	0	0	0	0	10,298,892
Health	19,260	0	0	0	0	0	204,500	3,263,732	0	0	0	3,487,492
Transportation	686,492	5,196,108	0	0	186,385	0	0	0	0	0	0	6,068,985
Economic Assistance And Opportunity	0	0	0	0	0	0	0	0	0	0	0	0
Culture And Recreation	1,683,691	0	0	0	0	0	0	0	255,627	275,170	0	1,939,318
Home And Community Services	408,895	0	0	3,514,278	0	3,254,694	0	0	0	0	2,720,000	7,177,867
Employee Benefits	0	2,452,469	0	0	0	0	55,700	550,300	0	0	0	3,058,469
Debt Service	0	0	1,739,741	0	0	0	0	0	0	0	0	1,739,741
Total Appropriations	18,987,502	7,648,577	1,746,560	3,514,278	186,385	3,254,694	260,200	3,814,032	255,627	275,170	2,720,000	39,667,855
Excess (Deficiency) Of Estimated Revenues Over Appropriations	699,500	960,000	(1,740,000)	770,631	(5,000)	84,659	(10,000)	0	0	0	(25,000)	759,790
OTHER FINANCING SOURCES (USES):												
Reserves	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers - In	500	240,000	1,660,000	0	0	0	0	0	0	0	0	1,900,500
Operating Transfers - Out (a)	(700,000)	(1,200,000)	0	(795,631)	0	(181,159)	0	0	0	0	0	(2,876,790)
Total Other Financing Sources (Uses)	(699,500)	(960,000)	1,660,000	(795,631)	0	(181,159)	0	0	0	0	0	(976,290)
Excess (Deficiency) of Estimated Revenues and Other Financing Sources Over Appropriations and Other Financing Uses	0	0	(80,000)	(25,000)	(5,000)	(96,500)	(10,000)	0	0	0	(25,000)	(216,500)
APPROPRIATED FUND BALANCE	\$ 0	\$ 0	\$ 80,000	\$ 25,000	\$ 5,000	\$ 96,500	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 216,500

(a) Includes transfers to debt service fund from the General Fund, Highway Fund, and Water Districts.

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APPENDIX C

**LINK TO
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

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/ES1194616-ES933613-ES1334517.pdf>

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

*** The Financial Statements and opinion are intended to be representative only as of the date thereof. PKF O'Connor Davies, LLP has not been requested by the Town to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement.**

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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FORM OF BOND COUNSEL'S OPINION

October 4, 2018

Town of Carmel,
County of Putnam,
State of New York

Re: Town of Carmel,
Putnam County, New York
\$4,516,000 Bond Anticipation Notes, 2018 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$4,516,000 Bond Anticipation Notes, 2018 Series A (the "Obligation"), of the Town of Carmel, Putnam County, New York (the "Obligor"), dated October 4, 2018, numbered _____, of the denomination of \$[_____], bearing interest at the rate of [____]% per annum, payable at maturity, and maturing October 4, 2019.

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 Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation 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 Obligation 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 Obligation 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 Obligation 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 Obligation, including the form of the Obligation. 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 Obligation have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor for which the Obligor has validly pledged its faith and credit for the payment thereof. All the taxable real property within the Obligor is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations, provided, however, the enforceability (but not the validity) of the Obligation: (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 Obligation; 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 Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation 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 Obligation.

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 Obligation) 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 Obligation 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 Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation 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 Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation 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 Obligation, 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