rsNEW ISSUE **SERIAL BONDS**

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

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

CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON
ULSTER COUNTY, NEW YORK

$76,000,000*
SCHOOL DISTRICT (SERIAL) BONDS, 2018
(the "Bonds")

Date of Issue: **Date of Delivery** **Maturity Dates**: **June 1, 2019 - 2037**

The Bonds are general obligations of the City School District of the City of Kingston, Ulster County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount. **See "Nature of Obligation" and "Tax Levy Limitation Law," herein.**

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

The Bonds will be dated their Date of Delivery, will bear interest from such date payable December 1, 2018 and semiannually thereafter on June 1 and December 1 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein).

The Bonds are offered when, as and if issued and received by the purchaser 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 Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or as otherwise agreed with the purchaser on or about June 13, 2018.

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

DATED: May 16, 2018

* Preliminary, subject to change.

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

Year	Amount*	Rate	Yield Or Price	CUSIP Number
2019	$3,095,000			496602
2020	3,110,000			496602
2021	3,200,000			496602
2022	3,295,000			496602
2023	3,395,000			496602
2024	3,500,000			496602
2025	3,605,000			496602
2026	3,710,000			496602
2027	3,825,000			496602
2028	3,935,000			496602
2029	4,055,000			496602
2030	4,175,000			496602
2031	4,300,000			496602
2032	4,430,000			496602
2033	4,565,000			496602
2034	4,715,000			496602
2035	4,865,000			496602
2036	5,025,000			496602
2037	5,200,000			496602

* The principal maturities of the Bonds are subject to adjustment following their sale pursuant to the terms of the accompanying Notice of Bond Sale to achieve substantially level or declining annual debt service as provided in the Local Finance Law and/or adjustment following their sale pursuant to the terms of the accompanying Notice of Bond Sale with respect to premium.

CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON
ULSTER COUNTY, NEW YORK

BOARD OF EDUCATION

DISTRICT OFFICIALS

Dr. Paul J. Padalino .... Superintendent of Schools

Allen Olsen .... Deputy Superintendent for Human Resources and Business

Bethany Woodard .... District Treasurer

Camille DiPerna .... District Clerk

INDEPENDENT AUDITORS

Raymond G. Preusser, P.C.
Claverack, New York

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

MUNICIPAL ADVISOR

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

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

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OFFICIAL STATEMENT

CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON
ULSTER COUNTY, NEW YORK

relating to

$76,000,000 *
SCHOOL DISTRICT (SERIAL) BONDS, 2018

This Official Statement, which includes the cover page and appendices attached hereto, presents certain information relating to the City School District of the City of Kingston, in the County of Ulster, in the State of New York (the "District", "County", and "State", respectively), in connection with the sale of $76,000,000 * School District (Serial) Bonds, 2018 (the "Bonds").

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

THE BONDS

Description

The Bonds will be dated their Date of Delivery, will bear interest from such date payable December 1, 2018 and semiannually thereafter on June 1 and December 1 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein).

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples. Purchasers will not receive certificates representing their ownership interest in the Bonds.

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

Authority for and Purpose of the Bonds

Authorization. The Bonds are issued pursuant to the State Constitution and statutes of the State, including among others, the Education Law and the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State and a bond resolution adopted by the Board of Education of the District on October 21, 2013 for $137,500,000 to pay the cost of the Kingston High School Campus Improvement Project.

Purpose. The proceeds of the Bonds, together with $4,500,000 of available funds, will be used to redeem at maturity on June 14, 2018, the $80,500,000 Bond Anticipation Bonds, 2017 Series B.

Date Authorized	Original Issue Date	Purpose	Notes Outstanding	Principal Payment	Amount of the Bonds *
10-21-13	06-17-14	Kingston HS Campus Improvements	$80,500,000	$4,500,000	$76,000,000

* Preliminary, subject to change.

Optional Redemption

Call Provisions. The Bonds maturing on or before June 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on June 1, 2027, and thereafter, will be subject to redemption prior to maturity, at the option of the District, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after June 1, 2026 at par plus accrued interest to the redemption date.

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

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company

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

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION

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

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

NATURE OF OBLIGATION

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

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

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

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

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

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

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith

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

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

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

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

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

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

Tax Levy Limitation Law

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

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI"). Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

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

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. The suit alleged that the Tax Levy Limitation Law arbitrarily caps property tax levy increases and perpetuates funding inequities between affluent and low-wealth school districts. The suit further alleged that the tax cap unconstitutionally limits the ability of school districts and their taxpayers to address these inequities by exercising substantial local control. Among seven causes of action, the suit also alleges that the Tax Levy Limitation Law unconstitutionally interferes with fundamental voting rights in violation of the principle of "one person, one vote." An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Several municipalities in the State are presently working with the FRB. School districts and fire districts are not eligible for FRB assistance.

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

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

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

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

MARKET FACTORS

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

There can be no assurance that the State appropriation for State aid to the District will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. (See "State Aid" and "Events Affecting New York School Districts" herein).

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

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

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

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

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 2017, of the State Comptroller designates the District as "No Designation," with a fiscal score of 0% and an environmental score of 33.3%

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

The financial affairs of the District are subject to periodic compliance reviews by OSC to ascertain whether the District has complied with the requirements of various State and Federal statutes. The most recent audit conducted by OSC was released on December 15, 2017. The purpose of the audit was to determine whether fixed assets were properly recorded and accounted for during the period July 1, 2016 through June 30, 2017. The complete report can be obtained from OSC's website.

LITIGATION

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

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

It is not possible to estimate the outcome of all pending tax certiorari cases. Tax certiorari claims are frequently settled for amounts substantially less than the original claims. In addition, settlements sometimes provide for reduced assessments in future years rather than a refund of taxes previously paid. The District maintains a tax certiorari reserve which had a balance of $9,981,816 at June 30, 2017. Pursuant to State law, the District has designated its tax certiorari reserve for the settlement of specific claims including certain large items. At a minimum, the District must redesignate this reserve every three years otherwise moneys therein revert to the

District's general fund. The District may also finance tax settlements by issuing debt pursuant to provisions set forth in the Local Finance Law.

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

TAX MATTERS

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

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

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

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

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

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated May 30, 2018 of the District relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "The District", "Financial Factors", "Real Property Taxes", "District Indebtedness" and "Economic and Demographic Data" and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended June 30, 2018, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended June 30, 2018; such audit (prepared in accordance with the accounting principles the District may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

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

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

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

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

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

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

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

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

MUNICIPAL ADVISOR

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

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

RATING

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

The District's underlying rating by Moody's is currently "Aa3."

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

ADDITIONAL INFORMATION

Additional information may be obtained from Allen Olsen, Deputy Superintendent for Human Resources and Business, 61 Crown Street, Kingston, NY 12401, (845) 943-3040, e-mail: aolsen@kingstoncityschools.org or from the District's Municipal Advisor, Capital Markets Advisors, LLC, 1075 Route 82 – Suite 4, Hopewell Junction, New York 12533, (845) 227-8678.

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

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

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

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

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

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

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

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

CITY SCHOOL DISTRICT OF THE CITY OF KINGSTON
ULSTER COUNTY, NEW YORK

By: ____________________________________
Nora C. Sherer
President of the Board of Education and
Chief Fiscal Officer

DATED: May 16, 2018

APPENDIX A

THE DISTRICT

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THE DISTRICT

General Information

The District, with an area of 75 square miles and centers around the City of Kingston located on the west bank of the Hudson River approximately 90 miles north of New York City and 50 miles south of Albany. The District includes the entire City of Kingston, all or major parts of the Towns of Esopus, Kingston and Ulster, almost 60% of the Town of Rosendale, over 40% of the Town of Hurley and small to minor parts of the Towns of Marbletown, New Paltz, Saugerties and Woodstock.

The City of Kingston, comprising approximately 33% of the District on a full valuation basis, is the county seat of Ulster County and the commercial, industrial and shipping center for the surrounding farming and apple producing area. The Kingston-Rhinecliff Hudson River Bridge extends Kingston's trading area to include sections on the east bank of the Hudson River.

The District is situated in the foothills of the Catskill Mountains, one of New York's year-round recreational areas. Residents have access to the hotels and resorts located in this region. The "Esopus," a trout fishing stream, traverses the District and provides sportsmen with fresh water fishing. Hunters find deer, bear, partridge and pheasant in the area. Winter sports facilities are also available.

Transportation, including deep tide-water ports, railroads and highways such as the New York Thruway and Route 9W, places Kingston in a position to supply the markets of northeastern United States.

District Organization

The Board of Education, which is the policy-making body of the District, consists of nine members with overlapping three-year terms so that as nearly an equal number as possible is elected to the Board each year. The President and the Vice President are selected by the Board members.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the School District Clerk, the District Treasurer, the School District Attorney and the Deputy Superintendent for Human Resources and Business.

Financial Organization

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

Financial Statements and Accounting Procedures

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

Budgetary Procedure

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

Pursuant to the Education Law, the District's Board of Education generally prepares or causes to be prepared a budget for the ensuing fiscal year. The budget, effective for fiscal years beginning on or after July 1, 1998, must consist of three parts: program, administration and capital. During November and December the tentative budget is developed and refined in consultation with school administrators. At the March and April meetings of the Board of

Education, the proposed budget is discussed and further refined. The tentative budget is adopted by the Board at its April meeting and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Residents of the District who are qualified to vote may participate in the referendum. Prior to the Annual Meeting a public hearing on the proposed budget is held.

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

The voters approved the District's 2018-19 budget on May 15, 2018. See Appendix B for a summary of the 2017-18 and 2018-19 adopted budgets of the District.

School Enrollment Trends

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

Fiscal Year	Actual Enrollment	Fiscal Year	Projected Enrollment
2013-2014	6,536	2018-2019	6,187
2014-2015	6.369	2019-2020	6,099
2015-2016	6,360	2020-2021	6,060
2016-2017	6,349		
2017-2018	6,384		

Source: District Officials.

District Facilities

The District currently operates the following school facilities; statistics relating to each are shown below.

Name	Grades	Capacity
Kingston High School	9-12	2,632
J. Watson Bailey Middle School	5-8	939
M. Clifford Miller Middle School	5-8	1,104
Chambers	K-4	513
Edward R. Crosby	K-4	618
Harry L. Edson	K-4	533
Robert R. Graves	K-4	540
George Washington	K-4	679
J.F. Kennedy	K-4	429
Ernest C. Myer	K-4	447
Frank Meagher	CLOSED	270
Anna Devine	CLOSED	432

Source: District Officials.

Employees

The total number of persons employed by the District is approximately 1,061. These employees are represented by the following organizations.

Number Of Employees	Organization	Contract Expiration Date
646	Kingston Teachers Federation	6/30/2017*
25	Administrative and Supervisory Personnel Association	6/30/2019
90	CSEA	6/30/2017*
273	Educational Support Personnel	6/30/2017*
27	Non-aligned Personnel	N/A

*In negotiation.
Source: District Officials.

Employee Benefits

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

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

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

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

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

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

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

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

Retirement Billing Procedures

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

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

The amounts contributed to ERS and TRS for the last five fiscal years ended June 30 and the amount budgeted for the two most recent fiscal years are as follows:

Year	ERS	TRS
2013	$1,998,067	$ 6,726,363
2014	1,943,776	6,890,962
2015	1,736,196	9,217,537
2016	1,649,090	10,205,646
2017	1,486,385	8,165,206
2018 (Budget)	1,569,553	6,760,000
2019 (Budget)	1,720,000	7,103,331

Other Post Employment Benefits

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

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 nonpension 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") will be 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 District account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial valuation will be required every two years for the District. The District is in compliance with the requirements of GASB 45. The District has determined that its unfunded actuarial accrued liability ("UAAL") for OPEB as of July 1, 2016 was $298,504,376 and the District's ARC as of June 30, 2017 was $20,616,660.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed legislation or guidelines for the creation and use of reserve funds or irrevocable trusts for the funding of OPEB. The District continues funding the expenditure on a pay-as-you-go basis.

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. The District cannot predict at this time whether such proposed legislation will be enacted into law.

Investment Policy

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

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

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

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

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

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

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

FINANCIAL FACTORS

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2017 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property. Capital improvements are generally financed by the issuance of bonds, bond anticipation notes and the use of funds reserved for capital improvements.

Property Taxes

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

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

Property Taxes

Fiscal Year	General Fund Revenues	Real Property Taxes and Tax Items	Real Property Taxes and Tax Items to Revenues
2013	$141,869,168	$ 94,070,922	66.3%
2014	145,505,922	96,485,076	66.3
2015	152,785,318	99,782,226	65.3
2016	158,657,615	100,605,326	63.4
2017	162,905,657	102,357,283	62.8
2018 (Budget)	169,581,541	103,204,442	60.9
2019 (Budget)	175,032,027	105,728,998	60.4

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

State Aid

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

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years, and the amount budgeted for the two most recent fiscal years.

State Aid

Fiscal Year	General Fund Revenues	State Aid	State Aid to Revenue (%)
2013	$141,869,168	$45,252,339	31.9%
2014	145,505,922	46,793,950	32.2
2015	152,785,318	50,046,357	32.8
2016	158,657,615	55,403,405	34.9
2017	162,905,657	57,866,104	35.5
2018 (Budget)	169,581,541	62,475,074	36.8
2019 (Budget)	175,032,027	64,322,509	36.8

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

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

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

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

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

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

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

Events Affecting New York School Districts

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

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is $5,315,977.

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

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

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

School district fiscal year (2018-2019): The State's final education budget includes record support for schools of more than $26 billion, including an increase of $1 billion over last year. This four-percent increase continues the commitment of funding education at a rate higher than the growth of the rest of the budget.

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

Other Revenues

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

Independent Audits

The District retained the firm of Raymond G. Preusser, CPA, P.C., Certified Public Accountants, to audit its financial statements for the fiscal year ended June 30, 2017. Appendix B, attached hereto, presents excerpts from the District's most recent audited reports covering the last five fiscal years. Appendix C contains a link to the last fiscal year audit.

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

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REAL PROPERTY TAXES

Assessed and Full Valuations

The City Assessor maintains the assessment records and prepares the annual assessment roll for the District. The following table sets forth the assessed and full valuation of taxable property, rates of tax per $1,000 assessed valuation, and the District's real property tax levy for the five most recent fiscal years.

Assessed and Full Valuation
Based on Regular Equalization Rates
Fiscal Years Ending June 30:

	2013-14	2014-15	2015-16	2016-17	2017-18
Assessed Values:					
City of Kingston	$1,449,759,885	$1,404,256,861	$1,390,220,738	$1,399,212,267	$1,434,083,522
Town of Esopus	698,128,501	692,543,309	692,773,268	686,544,211	686,684,151
Town of Hurley	279,446,505	278,677,158	276,483,998	274,618,420	275,743,392
Town of Kingston	78,263,078	77,901,840	78,209,798	77,770,472	77,883,363
Town of Marbletown	1,347,500	1,347,500	1,348,343	1,348,389	1,348,395
Town of New Paltz	2,314,201	4,027,203	2,317,140	2,317,876	2,318,486
Town of Rosendale	269,220,967	263,447,991	263,803,179	261,445,677	268,596,606
Town of Saugerties	7,620,598	7,411,359	7,397,355	7,472,113	7,573,200
Town of Ulster	970,294,142	979,329,995	976,956,045	963,196,688	911,929,193
Town of Woodstock	196,090,798	193,339,722	193,526,684	196,113,897	198,372,120
Total Assessed Values	3,952,486,175	3,902,282,938	3,883,036,548	$3,870,040,010	$3,864,532,428
Equalization Rates:					
City of Kingston	100.00%	100.00%	100.00%	100.00%	100.00%
Town of Esopus	100.00	100.00	100.00	100.00	100.00
Town of Hurley	100.00	98.00	100.00	100.00	100.00
Town of Kingston	94.50	96.50	97.50	92.75	90.90
Town of Marbletown	100.00	100.00	100.00	100.00	100.00
Town of New Paltz	100.00	100.00	101.00	101.00	100.00
Town of Rosendale	100.00	100.00	100.00	100.00	100.00
Town of Saugerties	100.00	100.00	100.00	100.00	100.00
Town of Ulster	81.50	84.00	83.00	81.50	81.10
Town of Woodstock	100.00	100.00	100.00	100.00	99.00
Full Values:					
City of Kingston	1,449,759,885	1,404,256,861	1,390,220,738	1,399,212,267	1,434,083,522
Town of Esopus	698,128,501	692,543,309	692,773,268	686,544,211	686,684,151
Town of Hurley	279,446,505	284,364,447	276,483,998	274,618,420	275,743,392
Town of Kingston	82,818,072	80,727,295	80,215,177	83,849,565	85,680,267
Town of Marbletown	1,347,500	1,347,500	1,348,343	1,348,389	1,348,395
Town of New Paltz	2,314,201	4,027,203	2,294,198	2,294,927	2,318,486
Town of Rosendale	269,220,967	263,447,991	263,803,179	261,445,677	268,596,606
Town of Saugerties	7,620,598	7,411,359	7,397,355	7,472,113	7,573,200
Town of Ulster	1,190,544,960	1,165,869,042	1,177,055,476	1,181,836,427	1,124,450,300
Town of Woodstock	196,090,798	193,339,722	193,526,684	196,113,897	200,375,879
Total Full Values	$4,177,291,987	$4,097,334,729	$4,085,118,416	$4,094,735,893	$4,086,854,198

Source: District Officials and the State Office of Real Property Tax Services (the "ORPTS.")

Full Valuation
Based on SPECIAL Equalization Rates
Fiscal Years Ending June 30:

Year of Assessment Roll	2012-13	2013-14	2014-15	2015-16	2016-17
Equalization Rates:					
City of Kingston	107.19%	102.07%	99.27%	103.59%	109.47%
Town of Esopus	102.35	101.24	101.68	104.05	106.63
Town of Hurley	100.85	100.86	100.88	102.39	103.95
Town of Kingston	99.32	94.08	92.15	93.96	96.00
Town of Marbletown	100.70	101.19	101.21	101.90	102.78
Town of New Paltz	102.71	101.46	100.95	102.33	103.65
Town of Rosendale	104.21	101.84	101.90	104.50	106.95
Town of Saugerties	104.19	101.28	100.39	103.29	106.50
Town of Ulster	84.17	83.29	83.04	84.26	86.04
Town of Woodstock	99.72	101.41	100.39	102.68	104.95

For Fiscal Year Ended	2012-13	2013-14	2014-15	2015-16	2016-17
Full Values:					
City of Kingston	1,447,104,036	1,420,358,465	1,414,583,319	1,342,041,450	1,278,169,605
Town of Esopus	697,000,761	689,577,737	681,100,815	665,808,042	643,856,523
Town of Hurley	299,037,575	277,063,757	276,246,192	270,030,274	264,183,184
Town of Kingston	79,739,358	83,187,795	84,538,079	83,237,333	81,010,908
Town of Marbletown	1,333,466	1,331,653	1,331,390	1,323,202	1,311,918
Town of New Paltz	2,406,156	2,280,900	3,989,305	2,264,380	2,236,253
Town of Rosendale	262,393,847	264,356,802	258,535,811	252,443,233	244,455,986
Town of Saugerties	7,245,528	7,524,287	7,382,567	7,161,734	7,016,069
Town of Ulster	1,145,973,757	1,164,958,749	1,179,347,296	1,159,454,124	1,119,475,463
Town of Woodstock	196,942,156	193,364,361	192,588,626	188,475,540	186,864,123
Total Full Values	$4,139,176,640	$4,104,004,506	$4,099,643,400	$3,972,239,312	$3,828,580,032

Source: New York State Department of Taxation and Finance.

Real Property Tax Rates
Fiscal Years Ending June 30:

	2014	2015	2016	2017	2018
Tax Levy (1)	$86,386,360	$87,789,686	$88,898,512	$91,078,742	$92,272,273
Uncollected	6,524,405	7,460,602	6,846,338	6,753,494	7,142,785
% Uncollected when due	7.4%	8.5%	7.7%	7.4%	7.7%

(1) Exclusive of STAR.
Source: Tax Warrants and District officials.

Tax Rates (1)	2013-14	2014-15	2015-16	2016-17	2017-18
City of Kingston	20.32/30.61	$21.02/30.63	21.37/31.42	21.73/31.99	22.06/32.10
Towns of:					
Esopus	20.46/27.03	21.17/28.57	21.47/27.03	21.82/29.26	22.17/29.39
Hurley	20.48/27.57	21.62/29.08	21.50/28.92	21.92/29.30	22.21/29.36
Kingston	21.38/28.50	21.72/28.82	21.91/28.93	23.43/30.79	24.24/31.50
Marbletown	20.16/26.89	20.86/27.78	20.96/28.23	21.25/28.58	21.57/28.65
New Paltz	20.51/37.32	21.22/29.18	21.11/38.60	21.62/39.45	21.94/39.53
Rosendale	20.46/27.22	21.20/28.10	21.56/28.68	22.03/29.04	22.30/28.96
Saugerties	21.15/27.99	21.90/29.03	22.10/29.45	22.23/29.87	22.48/29.94
Ulster	25.04/33.96	25.12/34.28	25.86/35.11	26.76/36.56	27.32/37.74
Woodstock	20.36/27.05	21.07/27.94	21.26/28.14	21.55/26.61	22.17/29.07

(1) Homestead/Non-Homestead. Does not include library tax.
Source: Tax Warrants.

Tax Collection Procedures

The District has its own tax collector who collects the taxes for the entire District. Taxes are due in two equal installments with the first half payable without penalty by October 15 and the second half payable without penalty by December 15. The State Commissioner of Taxation and Finance will annually determine the rate of interest to be charged for late payments. Early in January, the uncollected portions are returned to the City and County as applicable. Section 1332 of the Real Property Tax Law states that the City and County enforcement officers shall proceed to enforce such unpaid taxes in the same manner as though they were unpaid City and County taxes, with 5% of the principal and interest added thereto. The respective tax enforcement officers will pay to the District all monies realized from the collection of unpaid taxes, including interest, less the amount of 5% added thereto. If the City or county bids in on any property, the District shall receive the amount of unpaid taxes due, plus interest, less the 5% added thereto.

STAR - School Tax Exemption

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

Approximately 9.1% of the District's 2016-17 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 8.8% of the District's 2017-18 school tax levy was exempted by the STAR program and the District did receive full reimbursement of such exempt taxes form the State in January 2018 (See "State Aid" herein).

Ten of the Largest Taxpayers

2017-18 Tax Year

Name	Type	Assessed Valuations	Percentage of Total A.V. (1)
Central Hudson Gas & Electric	Utility	$141,320,640	3.65
Hudson Valley 2011 LLC (2)	Shopping Center	42,370,540	1.09
CSX Transportation	Ceiling Railroad	20,254,229	.52
Kingston Mall, LLC	Shopping Mall	13,669,100	.35
Verizon	Utility	12,911,378	.33
Ulster Business Complex (2)	Commercial	12,600,000	.32
AG Properties (2)	Commercial	12,440,002	.32
Criterion Atlantic	Commercial	12,180,000	.31
Herzog Supply Company	Shopping Center	10,258,500	.26
Ulster Crossings	Commercial	9,850,000	.25
Total		$287,854,389	7.44%

(1) The District's total assessed value is $3,864,532,428 for fiscal year 2017-18.
(2) Pending tax certiorari.

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the periods of probable usefulness of the objects or purposes determined by statute or the weighted average period of probable usefulness thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit

Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The law also provides a procedural method to override that limitation. (See "Tax Levy Limitation Law" herein).

Statutory Procedure

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of $100,000 until the plans and specifications of such project have been approved by the Commissioner of Education of the State.

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

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

Statutory Debt Limit and Net Indebtedness

Computation of Debt Limit
Based on Special Equalization Rates
As of May 16, 2018

Fiscal Year Ending:	Full Valuation (1)
2013	$4,139,176,639
2014	4,104,004,506
2015	4,099,643,400
2016	3,972,239,313
2017	3,828,580,032
Total Five Year Valuation	$20,143,643,890
Average Five Year Full Valuation	$4,028,728,778
Debt Limit - 5% of Average Full Valuation	$201,436,439

(1) The amounts shown as full valuation have been computed with the use of Special Equalization Ratios. Chapter 280 of the Laws of 1978 provides for the determination of special equalization ratios for city school districts which normally has the effect of increasing the tax base of a city school district for the purpose of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Office of Real Property Services and are used for all other purposes.

Statutory Debt Limit and Net Indebtedness
As of May 16, 2018

	Amount	Percentage
Debt Contracting Limitation:	$201,436,439	100.00%
Gross Indebtedness:		
Serial Bonds[(1)]	10,815,000	5.36
Bond Anticipation Notes	80,500,000	39.96
Gross Indebtedness	91,315,000	45.32
Exclusions and Deductions[(2)]	-0-	0.00
Net Indebtedness	91,315,000	45.32
Net Debt Contracting Margin	$110,121,439	54.66%

(1) The District has an energy performance contract outstanding in the amount of $3,659,584 as of May 16, 2018 which is not included.
(2) The District estimates that it will receive approximately $47.7 million in State aid to pay the principal portion of all debt issued for school building improvements. Such estimates have not been certified by the State Education Department and, therefore, no deduction has been taken to determine the District's debt limit. The District has no reason to believe that it will not ultimately receive all of the school building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to outstanding bonds and bond anticipation notes.
Source: District Officials.

Short-Term Indebtedness

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

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

Operating Purposes. The District may also issue tax anticipation notes and revenue anticipation notes to provide cash to finance cash flow deficits. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law and the Internal Revenue Code of 1986 (the "Code") and the Regulations there under. Such notes may be renewed from time to time generally not beyond three years in the case of revenue anticipation notes and five years for tax anticipation notes. The District has not issued revenue anticipation notes since 1991. Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year. The District has not issued budget notes during the past five fiscal years.

The District currently has $80,500,000 Bond Anticipation Notes, 2017 Series B outstanding which mature on June 14, 2018.

Tax Anticipation Notes. In common with other school districts in the State, the District periodically borrows in anticipation of the receipt of its real property tax levy. In the past, the District has paid all notes on their due date and such notes have been paid by the end of the fiscal year. The District has not issued tax anticipation notes in the last five fiscal years nor does it plan on issuing any in 2017-18.

Energy Performance Contract

The District has an Energy Performance Contract outstanding in the amount of $3,659,584 as of May 16, 2018. Payments totaling $459,503 are due each year through final maturity in fiscal year 2026-27.

Trend of Capital Indebtedness

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

Fiscal Year Ended June 30:

	2013	2014	2015	2016	2017
Bonds	$17,135,000	$15,775,000	$14,365,000	$12,560,000	$11,005,000
Bond Anticipation Notes	3,000,000	16,000,000	17,932,186	36,500,000	80,500,000
Total Outstanding Indebtedness	$20,135,000	$31,775,000	$32,297,186	$49,060,000	$91,505,000

Overlapping and Underlying Debt

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

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

Statement of Direct and Overlapping Indebtedness
As of May 16, 2018

Gross Direct Indebtedness	$91,315,000
Exclusions and Deductions	0
Net Direct Indebtedness	$91,315,000

Overlapping Units	Date of Report	Net Indebtedness	Percent Applicable	Applicable Net Indebtedness
Counties:				
Ulster County	10-30-17	$86,361,739	22.48%	$20,024,837,
Cities:				
City of Kingston	02-27-18	23,325,720	100.00	23,325,720
Towns:				
Esopus	12-31-16	2,395,000	85.44	2,046,288
Hurley	12-31-16	0	33.370	0
Kingston	12-31-16	350,000	100.00	350,000
Marbletown	12-31-16	0	0.14	0
New Paltz	12-31-16	1,344,343	0.20	2,689
Rosendale	12-31-16	2,818,000	54.79	1,543,982
Saugerties	08-03-17	8,549,575	0.44	37,618
Ulster	06-15-17	533,050	100.00	533,050
Woodstock	12-31-17	3,305,000	14.75	487,488
Fire Districts	12-31-16	11,163,936	100.00	7,784,586
Total				$56,136,258

Debt Ratios

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

	Debt Per Amount	Debt Per Capita [a]	Debt to Full Value [b]
Net Direct Debt	$ 91,315,000	$1,793	2.23%
Net Direct and Overlapping Debt	147,451,258	2,868	3.61%

(a) The District's population is 50,919 according to 2015 estimated census information.
(b) The District's full value of taxable real property bases on full equalization rates for 2017-18 is $4,086,854,198

Authorized and Unissued Debt

The District has $51,696,093 of authorized but unissued debt for the Kingston High School Campus Project authorized in an amount of $137,500,000. The District expects completion of this project over the next several years. The following amounts have been borrowed against this resolution to date: $8,286,093 in June 2014, $6,000,000 in June 2015, $24,517,814 in June 2016; $20,000,000 in January 2017 and $27,000,000 in June 2017.

District voters will be asked to approve a $16 million referendum on May 15, 2018 for improvements to three District buildings. The project is expected to be financed with $5 million in capital reserve and $11 million of bonds.

Debt Service Schedule

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

Schedule of Debt Service Requirements

	Outstanding Indebtedness			
Year Ending June 30:	Principal Payments	Interest Payments	Total Debt Service	Cumulative Principal Paid
2018	$1,615,000	$395,456	$2,010,456	14.68%
2019	1,590,000	341,781	1,931,781	29.12
2020	1,670,000	288,981	1,958,981	44.30
2021	1,330,000	232,156	1,562,156	56.38
2022	1,390,000	180,931	1,570,931	69.01
2023	1,445,000	127,144	1,572,144	82.14
2024	1,495,000	70,719	1,565,719	95.73
2025	230,000	11,838	241,838	97.82
2026	240,000	4,050	244,050	100.00
Totals	$11,005,000	$1,654,519	$12,658,056	

(1) As of May 16, 2018, the District has paid $190,000 in principal and $224,722 in interest due on serial bonds for the fiscal year ending June 30, 2018.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The estimated population of the District is 50,919 according to the US Census Bureau estimate in 2015. The following table includes population trends for the City, which is contiguous with the District, the County and the State, based upon census data.

Population

	2000	2010	2016	% Change 2000-2010	% Change 2010-2016
City	23,456	23,893	23,506	1.9%	(1.6)%
County	177,749	182,493	180,505	2.7	(1.1)
State	18,976,457	19,378,102	19,745,289	2.1	1.9

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

Employment

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

Average Employed Civilian Labor Force
2000-2017

	2000	2010	2017	% Change 2000-2010	% Change 2010-2017
County	84,900	86,300	84,800	1.6%	(1.7)%
State	8,718,700	8,769,700	9,249,200	0.6	5.5

Source: New York State Department of Labor.

Average Unemployment Rates

Year	County	State	United States
2013	7.1%	7.7%	7.4%
2014	5.7	6.3	6.2
2015	4.8	5.3	5.3
2016	4.4	4.8	4.9
2017	4.6	4.7	4.4
2018: (1)			
Jan	5.4	5.1	4.5
Feb	5.5	5.1	4.4
Mar	4.9	4.8	4.1

(1) Monthly rates.
Source: New York State Department of Labor and U.S. Bureau of Labor Statistics.

Major Employers in Ulster County
(250 or more employees)

Name	Employees	Product	City
County of Ulster	A	Government	Kingston
Health Alliance of the Hudson Valley	A	Health Services	Kingston/New Paltz
Kingston Consolidated School District	A	Educational Services	Kingston
State Correctional Facilities	A	Correctional Services	Wallkill/Napanoch
SUNY New Paltz	A	Educational Services	New Paltz
Mohonk Mountain House	B	Resort/Hotel	New Paltz
SUNY Ulster	B	Educational Services	Stone Ridge
Wal-Mart	B	Retail - All	Kingston
BOCES	C	Educational Services	New Paltz/Port Ewen
City of Kingston	C	Government	Kingston
Hannaford	C	Retail - Grocery	Kingston (2)/Highland/Plattekill
Hudson Valley Resort & Spa	C	Resort/Hotel	Kerhonkson
Northeast Center for Special Care	C	Health Services	Lake Katrine
Ten Broeck Commons	C	Health Services	Lake Katrine
Honors Haven	C	Resort/Hotel	Ellenville
Ulster Savings	C	Finance/Insurance	Kingston

A - Greater than 1,000 employees.
B - 500-999 employees.
C - 250-499 employees.

Source: City School District of the City of Kingston.

END OF APPENDIX A

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APPENDIX B

UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

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KINGSTON CITY SCHOOL DISTRICT
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

	For the Years Ended				
	2013	2014	2015	2016	2017
ASSETS					
Unrestricted Cash	$ 20,129,339	$ 24,469,580	$ 21,176,940	$ 19,450,423	$ 21,645,680
Restricted Cash	11,848,289	13,822,202	20,313,095	24,474,594	26,142,071
Taxes Receivable, Net	7,499,577	7,753,858	7,227,846	6,986,492	6,817,580
State and Federal Aid Receivable	2,238,261	2,207,493	2,950,398	2,770,808	2,841,314
Due From Other Governments	1,283,442	1,297,548	1,441,000	1,607,618	1,643,573
Inventories	-	-	-	-	-
Other receivables, Net	71,780	100,021	182,990	116,405	49,636
Due From Other Funds	1,585,692	594,495	1,081,688	881,520	1,267,456
Total Assets	44,656,380	50,245,197	54,373,957	56,287,860	60,407,310
LIABILITIES					
Accounts Payable	$ 3,165,854	$ 4,045,116	$ 3,509,611	$ 4,691,945	$ 4,894,533
Accrued Liabilities	6,371,667	5,569,848	3,080,534	1,765,740	2,289,645
Bond Anticipation Notes Payable	-	-	-	-	-
Due to Teachers Retirement System	7,260,498	9,565,756	10,537,714	8,720,921	7,843,479
Due to Employees' Retirement System	485,944	434,049	453,147	363,681	369,705
Due to Other Governments	89,154	37,325	-	407	1,323,734
Due to Other Funds	-	-	-	-	-
Compensated absences	1,681,168	1,681,168	1,642,021	1,642,020	1,642,020
Deferred Revenues	6,411,824	7,202,393	6,697,848	6,486,173	6,486,660
Total Liabilities	25,466,109	28,535,655	25,920,875	23,670,887	24,849,776
FUND BALANCES					
Restricted	$ 11,848,289	$ 13,822,202	$ 20,313,095	$ 24,474,594	$ 26,142,071
Assigned	1,497,849	1,880,586	1,880,790	1,678,435	2,632,203
Unassigned	5,844,133	6,006,754	6,259,197	6,463,944	6,783,260
Total Fund Balance	19,190,271	21,709,542	28,453,082	32,616,973	35,557,534
Total Liabilities and Fund Balances	$ 44,656,380	$ 50,245,197	$ 54,373,957	$ 56,287,860	$ 60,407,310

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

KINGSTON CITY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

	For the Years Ended				
	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	$ $83,874,044	$ $85,713,978	$ $88,492,620	$ $89,253,863	$ $91,225,464
Other Tax Items	10,196,878	10,771,098	11,289,606	11,351,463	11,131,819
Charges for Services	436,353	559,085	493,270	474,665	468,722
Use of Money & Property	119,723	100,205	219,789	274,005	357,138
Sale of Property and Compensation for Loss	4,086	153,692	5,262	15,185	13,522
Miscellaneous	1,829,029	1,337,990	2,111,085	1,839,014	1,694,272
State Aid	45,252,339	46,793,950	50,046,357	55,403,405	57,866,104
Federal Sources	156,716	75,924	127,329	46,015	148,616
Total Revenues	141,869,168	145,505,922	152,785,318	158,657,615	162,905,657
Expeditures:					
General Support	11,256,513	10,890,555	9,939,380	10,927,064	13,088,223
Instruction	79,221,218	77,429,271	77,307,763	83,431,220	87,116,355
Pupil Transportation	7,185,661	7,092,271	7,217,960	6,929,952	7,001,465
Employee Benefits	40,760,892	42,064,079	44,259,784	44,060,210	46,126,701
Debt Service	2,615,590	2,456,052	6,898,316	8,676,043	6,314,164
Total Expenditures	141,039,874	139,932,228	145,623,203	154,024,489	159,646,908
Excess of Revenues over Expenditures	829,294	5,573,694	7,162,115	4,633,126	3,258,749
Other Uses:					
Interfund Transfers In	190,300	300,481	58,857	181,223	193,008
Operating Transfers Out	(3,612,621)	(3,354,904)	(477,432)	(650,458)	(511,196)
Total Other Uses:	(3,422,321)	(3,054,423)	(418,575)	(469,235)	(318,188)
Excess of Revenues over Expenses and Other Financing Uses	(2,593,027)	2,519,271	6,743,540	4,163,891	2,940,561
Fund Balance - Beg. of Year	21,783,298	19,190,271	21,709,542	28,453,082	32,616,973
Fund Balance - End of Year	$ $19,190,271	$ $21,709,542	$ $28,453,082	$ $32,616,973	$ $35,557,534

The financial data presented on this page has been excerpted from the audited financial statements of the District.
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KINGSTON CITY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF ESTIMATED REVENUES AND APPROPRIATIONS

		Adopted Budget 2017-18		Adopted Budget 2018-19
Estimated Revenues:				
Real Property Tax	$	101,414,442	$	104,075,998
Real Property Tax Items		1,790,000		1,650,000
State Aid		62,475,074		64,322,509
Other Sources		1,727,025		1,983,675
Interfund Transfers		175,000		499,845
Total Estimated Revenues		167,581,541		172,532,027
Appropriated Fund Balance		2,000,000		2,000,000
Transfer From ERS Reserve		-		500,000
Total Estimated Revenues and Fund Balance	$	169,581,541	$	175,032,027
Appropriations:				
General Support	$	11,492,652	$	11,867,810
Instruction		89,890,724		93,216,844
Public Transportation		7,689,179		8,035,221
Employee Benefits		51,273,050		52,113,874
Interfund Transfers		625,000		625,000
Debt Service		8,610,936		9,173,278
Total Appropriations	$	169,581,541	$	175,032,027

Source: School District Officials

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APPENDIX C

LINK TO
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 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/ES1073283-EP795202-ES1239214.pdf

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

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

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<u>APPENDIX D</u>

FORM OF BOND COUNSEL'S OPINION

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LEGAL OPINION

June 13, 2018

City School District of the City of Kingston,
County of Ulster,
State of New York

Re: City School District of the City of Kingston,
Ulster County, New York
$76,000,000 School District (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of $76,000,000 School District (Serial) Bonds, 2018 (the "Obligations"), of the City School District of the City of Kingston, Ulster County, New York (the "Obligor"), dated June 13, 2018, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ and _____ hundredths per centum (_____%) per annum, payable on December 1, 2018 and semi-annually thereafter on June 1 and December 1 and maturing in the amount of $________ on June 1, 2019, $________ on June 1, 2020, $________ on June 1, 2021, $________ on June 1, 2022, $________ on June 1, 2023, $________ on June 1, 2024, $________ on June 1, 2025, $________ on June 1, 2026, $________ on June 1, 2027, $________ on June 1, 2028, $________ on June 1, 2029, $________ on June 1, 2030, $________ on June 1, 2031, $________ on June 1, 2032, $________ on June 1, 2033, $________ on June 1, 2034, $________ on June 1, 2035, $________ on June 1, 2036, and $________ on June 1, 2037.

The Obligations maturing on or before June 1, 2026 will not be subject to redemption prior to maturity. The Obligations maturing on June 1, 2027, and thereafter, will be subject to redemption prior to maturity, at the option of the obligor, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity) on any date on or after June 1, 2026 at par plus accrued interest to the redemption date.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 and 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

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

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

In our opinion:

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

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

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

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

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

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

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