

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 21, 2018

**NEW ISSUE: SERIAL BONDS
BOOK-ENTRY-ONLY**

Rating: See “Rating” herein

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

The District will NOT designate the Bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3) of the Code.

**CITY SCHOOL DISTRICT OF THE CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK**

**\$32,000,000
SCHOOL DISTRICT (SERIAL) BONDS, 2018
(the “Bonds”)**

Dated: Date of Delivery

Due: December 1, 2020 to 2033

The Bonds are general obligations of the City School District of the City of Mount Vernon, Westchester County, New York (the “District”), and all of the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitations as to rate of amount. (See “*Nature of Obligation*” and “*Tax Levy Limit Law*” herein.)

The Bonds will be dated the date of delivery, will bear interest from such date payable semiannually on each June 1 and December 1 until maturity, commencing December 1, 2019 and will mature on the dates, in the years and amounts as set forth on the inside cover page hereof. The Bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity. (See “*Optional Redemption*” herein.)

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as the securities depository for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests 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.)

Capital Markets Advisors, LLC has served as Municipal Advisor to the District in connection with the issuance of the Bonds.

The Bonds are offered when, as, and if issued by the District and accepted by the purchaser, subject to the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and certain other conditions. It is anticipated that Bonds will be available for delivery through the offices of DTC in Jersey City, New Jersey on or about December 12, 2018.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM “DEEMED FINAL” BY THE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. 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: December __, 2018

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

The Bonds mature on December 1 in each of the years, subject to prior redemption, as set forth below:

<u>Year</u>	<u>Amount*</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount*</u>	Interest <u>Rate</u>	<u>Yield</u>
2020	\$ 1,865,000			2027**	\$ 2,285,000		
2021	1,915,000			2028**	2,365,000		
2022	1,965,000			2029**	2,445,000		
2023	2,020,000			2030**	2,530,000		
2024	2,080,000			2031**	2,625,000		
2025	2,145,000			2032**	2,720,000		
2026	2,215,000			2033**	2,825,000		

* 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.

** The Bonds maturing in the years 2027 and thereafter will be subject to redemption prior to maturity, as described herein. (See “*Optional Redemption*” herein.)

**CITY SCHOOL DISTRICT OF THE CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK**

BOARD OF EDUCATION

Wanda White..... President
Arlene Torres..... Vice President
Dr. Serigne Gningue..... Trustee
Rosemarie Jarosz Trustee
Micah McOwen Trustee
Darcy Miller..... Trustee
Melissa Munoz Patterson..... Trustee
Adriane Saunders..... Trustee
Israel Williams..... Trustee

Dr. Kenneth Hamilton..... Superintendent
Ken Silver..... Assistant Superintendent for Business
Shaji Zacharia..... Director of Business/Treasurer
Richard McCormack..... District Clerk

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

MUNICIPAL ADVISOR



CAPITAL MARKETS ADVISORS, LLC
*Long Island * Hudson Valley * Southern Tier * Western New York*
(516) 570-0340

No dealer, broker, salesman or other person has been authorized by the District 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 by the District. 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 District 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 here under shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
THE BONDS	1	THE STATE COMPTROLLER'S FISCAL STRESS	
Description	1	MONITORING SYSTEM AND COMPLIANCE	
Authority for and Purpose of the Bonds	2	REVIEWS	10
Optional Redemption	2	LITIGATION	11
Nature of Obligation	2	TAX MATTERS	11
Book-Entry-Only System.....	4	LEGAL MATTERS	12
TAX LEVY LIMITATION LAW.....	6	DISCLOSURE UNDERTAKING	12
SPECIAL PROVISIONS AFFECTING REMEDIES		Continuing Disclosure History	14
UPON DEFAULT	6	RATING.....	15
MARKET FACTORS	10	MUNICIPAL ADVISOR	15
		MISCELLANEOUS.....	15

APPENDIX A

THE DISTRICT	A-1	Independent Audits	A-9
General Information.....	A-1	Other Revenues	A-8
District Organization	A-1	Tax Information	A-9
Financial Statements.....	A-1	Real Property Tax Assessment and Rates	A-9
Budgetary Procedures.....	A-1	Tax Collection Procedure.....	A-10
Enrollment Trends	A-2	Ten largest Taxpayers	A-10
District Facilities.....	A-2	STAR – School Tax Exemption.....	A-10
Employees	A-3	District Indebtedness.....	A-11
Employment Pension Payments.....	A-3	Statutory Procedure.....	A-11
Other Post employment Benefits	A-4	Debt Limit.....	A-12
Investment Policy Permitted Investments.....	A-5	Statutory Debt limit and Net Indebtedness.....	A-13
FINANCIAL FACTORS	A-5	Overlapping and Underlying Debt	A-14
Real Property Taxes.....	A-5	Debt Ratios.....	A-14
State Aid	A-6	Capital Project Plans	A-14
Events Affecting New York State School Districts	A-8	Debt Service Schedule	A-16
General Fund Operations.....	A-9	Employment and Unemployment.....	A-17
		Transporation	A-17

APPENDIX B – SUMMARY OF BUDGETS AND FINANCIAL STATEMENTS

APPENDIX C – LINK TO AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX D – FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE BONDS

OFFICIAL STATEMENT

CITY SCHOOL DISTRICT OF THE CITY OF MOUNT VERNON WESTCHESTER COUNTY, NEW YORK

Relating To

\$32,000,000

SCHOOL DISTRICT (SERIAL) BONDS, 2018

This Official Statement, which includes the cover page, inside cover page and appendices hereto, presents certain information relating to the City School District of the City of Mount Vernon, in the County of Westchester, in the State of New York (the “District”, “County” and “State,” respectively) in connection with the sale of \$32,000,000 School District (Serial) Bonds, 2018 (the “Bonds”).

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

THE BONDS

Description

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity, payable on December 1, 2019 and semiannually thereafter on June 1 and December 1 in each year until maturity. The Bonds shall mature on December 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds maturing in the years 2020 to 2026, inclusive, will not be subject to redemption prior to maturity. The Bonds maturing in the years 2027 and thereafter will be subject to redemption prior to maturity as described herein. (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”). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal 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 (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described under “*Book-Entry-Only System*,” herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The record payment date for the payment of principal and interest on the Bonds is the 15th day of the calendar month preceding each interest payment date.

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

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the Constitution and laws of the State, and a bond resolution duly adopted by the Board of Education on January 21, 2016 and approved by the voters of the District on March 15, 2016, authorizing \$108,357,500 for the reconstruction and construction of improvements to various School District buildings, including an addition to the Pennington School, site improvements, original equipment, furnishings, apparatus, appurtenances, and other incidental improvements and costs. The District has previously issued \$50,070,000 in bonds against the above authorization. This issue will add \$32,000,000 in new money to fund the above mentioned project. (See “Capital Project Plans”).

Optional Redemption

The Bonds maturing on or before December 1, 2026 are not subject to redemption prior to their stated maturity. The Bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity, at the option of the District, on any date on or after December 1, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

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

Nature of Obligation

Each bond or note when duly issued and paid for will constitute a contract between the District and the holder thereof.

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

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 taxable real property within the District without limitation as to rate or amount.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the New York 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 Information - 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 (1976) 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 (1976) 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, District, 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, District, 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.

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 note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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 issuer, on the 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 redemption proceeds, distributions, and dividend 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 to DTC.

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

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 "Tax Levy Limit Law"). The Tax Levy Limit 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, to which it indirectly applies by application to the cities themselves.)

Prior to the enactment of the Tax Levy Limit 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 certain other legislation is extended. Pursuant to the Tax Levy Limit 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, which is, applicable to the Bonds.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then

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

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

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

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

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

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

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

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school

districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an “emergency financial control board” for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

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

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

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

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

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

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

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the

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

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

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

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

Several municipalities in the State are presently working with the FRB. The District is not eligible for FRB assistance.

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

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

NO PAST DUE DEBT

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

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

There are certain potential risks associated with an investment in the Bonds, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Bonds.

If and when an owner of any of the Bonds should elect to sell all or a part of the Bonds prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bonds are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The District's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the District fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the District is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Bonds. (See "*The Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Bonds.

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 has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The most current applicable report of the State Comptroller designates the District as "No Designation".

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

The financial affairs of the District are subject to periodic compliance reviews by OSC to ascertain whether the District has complied with the requirements of various State and federal statutes. OSC has not released a formal report on the District in the past five years nor is one presently in progress. Additional information regarding State audits can be obtained by visiting the New York State website for Local Governments and School Accountability.

LITIGATION

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

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the School District, threatened against or affecting the School District to restrain or enjoin 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 School District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the School District.

The District has indicated that there are ongoing tax certiorari proceedings involving the District, but it is not possible to determine at this time the extent of the liability, if any, of the District with respect to these cases. Any such reduction in assessed value of property may result in the District being required to refund taxes collected in prior years. In total, refunds of taxes collected in prior years are not expected to have a material effect on the financial statements of the District. Such refunds, if any, will be provided for in the annual budgets in the years in which payments are due or the District may issue bonds to finance them. See "Tax Certiorari Claims" herein.

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 and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. 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.

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 personal 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 a Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future 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 Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the 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

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 under the headings “The District”, “Financial Factors”, “Tax Information”, “District Indebtedness”, “Litigation” and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending 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 audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2018; such audit, 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 law 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 Rule which require the Undertaking, or such provisions, 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 a manner consistent with the Rule, as amended.

Continuing Disclosure History

On May 29, 2014, the District filed a material event notice with EMMA regarding the current ratings of bond insurers of past bonds issued by the District. Since the fall of 2008, there have been over forty ratings actions on bond insurers by Moody's, Standard and Poor's (S&P) and Fitch Ratings (Fitch). Due to widespread knowledge of the downgrades to the bond insurer, material event notices were not filed in each instance.

RATING

The District has applied to Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") for a rating on the Bonds, such applications are pending at this time.

On August 7, 2017, Moody's reaffirmed the District's 'A1' credit rating on its outstanding uninsured general obligation debt and an 'Aa3' enhanced rating based on the additional security provided by the New York State Section 99-B Intercept Program. (See "*Special Provision Affecting Remedies Upon Default*", herein.)

On August 8, 2017, S&P upgraded the District's long-term credit rating on its outstanding uninsured general obligation debt from 'A' to 'A+' with stable outlook.

Such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, at the following address: Moody's Investors Service, Inc., 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.

MUNICIPAL ADVISOR

Capital Market Advisors, LLC, Great Neck and New York, New York, has served as the independent Municipal 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, and 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 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.

MISCELLANEOUS

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District management’s beliefs as well as assumptions made by, and information currently available to, the District 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 files with the repositories. When used in District documents or oral presentation, 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.

The 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.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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.

Additional information may be obtained from the office of the District Treasurer (914) 665-5213 or the District's Municipal Advisor, Capital Markets Advisors, LLC (CMA) 516-560-0340

CITY SCHOOL DISTRICT OF THE CITY OF MOUNT VERNON
WESTCHESTER COUNTY, NEW YORK

By: _____
Wanda White
President of the Board of Education

DATED: December __, 2018

APPENDIX A

THE DISTRICT

THE DISTRICT

General Information

The District, coterminous with the City of Mount Vernon (the “City” or “Mount Vernon”), is located in southern Westchester County, directly north of the borough of the Bronx, the City of New York, and covers an area of approximately 4.25 square miles. The area was originally settled in the late 1600’s and its agricultural character remained unchanged until the mid-1800’s when it was part of the Town of Eastchester. Mount Vernon was incorporated as a Village in 1853 and as a city in 1892. Mount Vernon is now a residential suburb of New York City and is known as “The City of Homes”.

District Organization

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

The legislative power of the District is vested in the Board of Education, which has nine members. The members of the Board of Education are elected to overlap in terms of three years.

During the first seven days of July of each year, the Board of Education meets for the purpose of reorganization. At that time an election is held within the Board to elect a president and vice president, and to appoint standing committees for the school year.

Financial Statements

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 Procedures

Pursuant to the Education Law, the Assistant Superintendent for Business annually prepares a detailed statement of estimated sums necessary for the various expenditures of the District for the ensuing fiscal year (tentative budget) who then passes it on to the Superintendent, who then recommends it to the Board of Education. The Board by resolution adopts a tentative budget and directs the Assistant Superintendent for Business to distribute that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

If the qualified voters at the annual election approve the tentative budget, the Board of Education, by resolution, adopts the tentative budget of the District for the ensuing year. In the event the tentative budget is disapproved by a majority of the voters, the Board of Education may call and hold subsequent elections on a budget. See “Tax Levy Limitation Law” herein for a discussion of new limits on the tax levy in the event of a contingent budget. The budget for the 2017-2018 fiscal year was approved by voters of the District on May 16, 2017. The budget for the 2018-2019 fiscal year was approved by voters of the District on May 15, 2018. A summary of the budgets for the 2017-2018 and 2018-2019 fiscal years are shown in Appendix B-2.

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Enrollment Trends

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

School Enrollment Trends

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Enrollment</u>	<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Projected</u> <u>Enrollment</u>
2014	8,401	2019	8,250
2015	8,323	2020	8,300
2016	8,300	2021	8,400
2017	8,294	2022	8,500
2018	8,205	2023	8,600

Source: District records and estimates.

District Facilities

The District currently operates the following school facilities:

School Statistics

<u>Name</u>	<u>Capacity</u>	<u>Year of Construction</u>
Thornton High School	915	1925, 1932, 2006
Lincoln Elementary School	510	1979
Parker Elementary School	512	1936, 2007
Hamilton Elementary School	446	1950, 2006
Traphagen Elementary School	405	1968, 2008
Williams Elementary School	640	1931, 1954, 1971
Graham Elementary School	556	1897, 1965
Columbus Elementary School	491	1924, 1929, 1935
Longfellow Elementary School	360	1922, 1930, 1990, 2003
Pennington Elementary School	385	1930, 2005
Holmes Elementary School	499	1954, 2003
Davis Middle School	1,349	1915, 1919, 1926, 1972
Mount Vernon High School	2,969	1963, 1969
Mandela High School	520	1908, 1922, 1927
Longfellow Middle School	773	2005
Grimes Elementary School	553	2005

Source: District Officials, Office of the School Business Administrator.

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Employees

The District provides services through approximately 1,534 full-time and 286 part-time employees, some of whom are represented by the following units of organized labor.

Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
813	Mount Vernon Federation of Teachers	6/30/18 ⁽¹⁾
66	Mount Vernon School Administrators	6/30/19
238	Civil Service Employees Association	6/30/18 ⁽¹⁾
238	Teaching Assistants	6/30/18 ⁽¹⁾
81	Security Monitors	6/30/18 ⁽¹⁾
8	Other Administrators (12 month)	N/A
14	Other Exempt	N/A
76	Lunch Monitors	6/30/16 ⁽¹⁾

(1) Currently in negotiations.

Source: District Officials

Employee Pension Payments

New York State Certified (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-certified 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 (the "State Retirement System" or "SRS") are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year's full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new 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 the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

Due to the prior poor performance of the investment portfolio of the State Retirement System, the employer contribution rates for required pension contributions to the SRS increased slightly. To help mitigate the impact of their ERS increases, legislation was enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school districts that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

The District is not amortizing any pension payments nor has the intent to do so in the foreseeable future.

While the District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

The District is required to contribute to an actuarially determined rate. Since the 2013 fiscal year, the District's contributions to the Systems were as follows:

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>ERS</u>	<u>TRS</u>
2013	\$2,663,519	\$11,086,699
2014	2,850,365	14,386,678
2015	2,820,343	16,697,377
2016	2,810,832	12,702,472
2017	2,513,333	11,584,315
2018	2,439,004	9,971,391
2019 (Adopted Budget)	2,506,859	9,745,836

Other Post Employment Benefits

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

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

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

The District’s total OPEB liability as of June 30, 2018 was \$279,491,871 using a discount rate of 3.87% and actuarial assumptions and other inputs as described in the District’s June 30, 2018 audited financial statements.

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

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

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

Investment Policy Permitted Investments

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

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

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

The District is in full compliance with the above referenced investment policy.

FINANCIAL FACTORS

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

Real Property Taxes

The District derives the major portion of its revenues from a tax on real property (See “*Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund*” in Appendix B, herein). On June 24, 2011, Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. (See “*The Tax Levy Limitation Law*” herein). Property taxes accounted for 56.68% of total General Fund revenues for the fiscal year ended June 30, 2018, while State aid accounted for 40.72%.

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The table on the following page 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 current fiscal year.

Fiscal Year <u>Ended June 30</u>	<u>Property Taxes</u>		Real Property
	Total <u>Revenues</u> ⁽¹⁾	Real Property <u>Taxes</u> ⁽²⁾	Taxes to <u>Revenues</u>
2014	\$211,964,451	\$135,085,369	63.73%
2015	221,065,938	137,189,649	62.06
2016	229,255,393	136,096,374	59.36
2017	239,155,352	137,360,356	57.44
2018	239,405,966	135,703,006	56.68
2019 (Adopted Budget)	251,979,860	140,100,763	55.60

(1) General Fund only.

(2) Inclusive of Other Real Property Tax Items, which represents STAR tax payments made to the District by the State, interest and penalties on real property taxes, and Payment in lieu of taxes (PILOT). (See “STAR - School Tax Exemption,” herein).

Source: Audited Financial Statements and Adopted Budget of the District. This summary 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 current fiscal year.

Fiscal Year <u>Ended June 30</u>	<u>State Aid</u>		State Aid
	Total <u>Revenues</u> ⁽¹⁾	<u>State Aid</u>	to Revenues
2014	\$211,964,451	\$71,730,597	33.84%
2015	221,065,938	78,193,191	35.37
2016	229,255,393	88,019,115	38.39
2017	239,155,352	93,378,066	39.04
2018	239,405,966	97,481,194	40.72
2019 (Adopted Budget)	245,741,402	102,886,670	41.87

(1) General Fund only.

Source: Audited Financial Statements and Adopted Budget of the District. This summary 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*” herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2012 to 2018 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State’s 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State’s 2018-2019 Budget was adopted on March 30, 2018, in advance of the April 1 deadline, the State’s 2017-2018 Budget was adopted on April 9, 2017, a delay of approximately 8 days. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the

policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have proposed regulations addressing state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. At this time, the District does not have plans to establish a local charitable fund.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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 mid-year 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.

Litigation regarding apportionment of State aid. In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity ("CFE") v. State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound

basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity (“CFE”) v. State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER v. State of New York* has been filed recently on behalf of the State’s public school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE v. State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER’s claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

Events Affecting New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

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.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of \$1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the State’s 2015-16 Enacted Budget, \$863 million of which consisted of traditional operating aid. In addition to the \$408 million of expense based aid, the State’s 2016-17 Enacted Budget included a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The majority of the remaining increase related to (\$100 million) 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 2017-18 Enacted Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the State’s 2016-17 Enacted Budget. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as was the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2018-2019): The State’s 2018-2019 Enacted Budget provides for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 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 5.2% and building aid increased by 4.7%. The State 2018-2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

Gap Elimination Aid: The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under existing State aid formulas). The District’s State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the Adopted Budget for the State’s 2016-2017 fiscal year included the elimination of the remaining balance of the GEA.

The Smart Schools Bond Act (the “SSBA”) 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 SSBA requires that a Review Board review and approve districts’ Smart Schools Investment Plan before any funds may be made available for the program. The District’s SSBA was recently approved and its planned improvements for safety and technology are underway.

General Fund Operations

Appendix B sets forth the General Fund operations for the last five fiscal years which are derived from the District’s annual audited financial statements.

Independent Audits

The District retained the firm of O’Connor Davies, LLP, Certified Public Accountants to audit its financial statements for the fiscal year ended June 30, 2018. The last audited report covers the period ending June 30, 2018. A link to the District’s 2018 audit is provided in Appendix C. Appendix B to this Official Statement presents excerpts from the District’s most recent audited reports covering the last five fiscal years. 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.

Other Revenues

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

TAX INFORMATION

Real Property Tax Assessment and Rates

The following is the Real Property Tax Assessment and Rates for the last five fiscal years ending June 30:

Real Property Tax Assessment and Rates

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Value	\$152,335,583	\$151,749,651	\$152,386,677	\$151,443,468	\$152,059,066
Regular Equalization Rate	3.82%	3.58%	3.20%	3.32%	3.02%
Regular Full Value	\$3,987,842,486	\$4,238,817,067	\$4,762,083,656	\$4,561,550,241	5,035,068,411
Special Equalization Rate	3.31%	3.45%	3.14%	3.21%	3.28%
Special Full Value	\$4,602,283,474	\$4,398,540,609	\$4,853,078,885	\$4,717,865,047	4,635,947,134
Tax Levy	\$138,427,473 ⁽¹⁾	\$138,492,723 ⁽¹⁾	\$138,603,104	\$138,693,617	\$139,956,149
Tax Rate ⁽²⁾	\$908.70	\$912.64	\$909.55	\$915.81	\$920.41

(1) Inclusive of Library Tax Levy.

(2) Per \$1,000 Assessed Value.

Source: Office of the State Comptroller, Bureau of Municipal Research and District Office of the School Business Administrator.

Tax Collection Procedure

The first half of school taxes are due on July 1 of each year. After July 31, penalties are imposed at the rate of one percent per month. The second half of school taxes are due on January 1, each year. A penalty is added after the return of the warrant on or about February 20th of each year. A 5% collection charge is assessed by the City which is retained by the City. The District receives the interest portion on late payments.

The District receives its full levies from the City by no later than the third succeeding fiscal year.

Uncollected school taxes for each of the most recent five completed fiscal years, as of June 30, 2018, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u> <u>Uncollected</u>
2014	\$0
2015	0
2016	0
2017	2,752,609
2018	5,748,415

Source: District Officials.

Ten of the Largest Taxpayers

The following table presents the taxable assessments of ten of the District's largest taxpayers.

<u>Taxable Assessments</u>			
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Consolidated Edison Company Westchester Plaza	Public Utility Apartments & Retail	\$12,288,347 1,852,460	8.07% 1.22
Vernon Manor Co-op	Apartments	1,127,502	0.74
Vernon Woods Apts.	Apartments	839,325	0.55
Colonial Village Association	Apartments	600,000	0.39
Vernon Manor Co-op No. 2	Apartments	566,000	0.37
Fulton Corners, Inc.	Retail Properties	557,340	0.37
CVS Albany LLC	Pharmacy & Retail	474,786	0.31
280-290 Collins Owners	Apartments	464,800	0.31
PL Apartment Corp.	Apartments	<u>461,950</u>	<u>0.30</u>
Totals		<u>\$19,232,510</u>	<u>12.63%</u>

(1) The District's assessed value for the 2019 fiscal year is \$152,259,066.

Source: District Officials.

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.

Approximately 13.27% of the School District's 2018-2019 school tax levy is expected to be exempted by the STAR program and the District has received full reimbursement of 2017-2018 exempt taxes from the State. The School District anticipates that it will receive full reimbursement of such exempt taxes in the 2018-2019 fiscal year.

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

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

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

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

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, as has been noted under "Nature of Obligation," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. 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. On June 24, 2011, the Governor signed into law Chapter 97 of the Laws of 2011, imposing a statutory limitation on the power of local governments and school districts, including the District, to increase their annual tax levy. The amount of such increases is determined by the formulas set forth in such law. However, Chapter 97 of the Laws of 2011 expressly provides an exception from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or notes and the Bonds qualify for such exception to the annual tax levy limitation. See "Nature of Obligation" and "TAX INFORMATION – Tax Levy Limitation Law," herein.

Statutory Procedure

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

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

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

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

Debt Limit. Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York, provided the aggregate principal amount thereof shall not exceed five per centum (5%) of the average full valuation of the taxable real estate of the School District. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Debt Limit

The following table sets forth the constitutional and statutory debt limit of the District as of July 31, 2018.

Computation of Debt Limit

Assessment <u>Roll</u>	Assessed <u>Valuation</u>	Special Equalization <u>Rate</u>	Full <u>Valuation</u> ¹
2014	\$153,380,113	3.74	\$4,101,072,540
2015	152,335,583	3.32	4,588,421,175
2016	151,749,651	3.41	4,450,136,393
2017	152,386,677	3.51	4,341,500,769
2018	151,443,468	3.67	<u>4,126,525,014</u>
Total Five-Year Full Valuations			<u>\$ 21,607,655,891</u>
Average Full Valuation			<u>\$ 4,321,531,178</u>
Debt Limit - 5 per centum of Average Full Valuation			<u>\$ 216,076,559</u>

¹The 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 will normally have the effect of increasing the tax base of a city school district for purposes of computing debt limits of such city school districts. Regular state equalization rates are also established by the State Board and are used for all other purposes.

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Statutory Debt Limit and Net Indebtedness

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of November 21, 2018.

	Based on Special Equalization Ratios
Five Year Average Full Valuation of Taxable Real Property	\$4,321,531,178
Debt Limit....5% thereof ¹	216,076,559
<u>Indebtedness:</u> ^{2,3}	
Bonds.....	\$109,270,000
Bond Anticipation Notes	<u>0</u>
Total Inclusions.....	109,270,000
<u>Exclusions:</u>	
Appropriations.....	<u>\$245,000</u>
Total Exclusions.....	245,000
Total Net Indebtedness	<u>\$109,025,000</u>
Net Debt-Contracting Margin.....	<u>\$107,051,559</u>
Percent of Debt-Contracting Power Exhausted	50.46%

The issuance of the Bonds will increase the net indebtedness of the District by \$32,000,000.

- (1) The District's constitutional debt limit has been computed using special equalization ratios, established by the State Office of Real Property Services pursuant to Art-12-B of the Real Property Tax Law. "Regular" State equalization rates are also established by said State Office, and are used for all other purposes. See "Trend of Valuations" herein.
- (2) Tax anticipation notes and revenue anticipation notes and energy performance contracts are not included in the computation of the statutory debt limit of the District. In May 2016 the District entered into a \$44,940,988 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen and sixteen years. Payments include a net effective combined interest rate at 2.72%. (See "Tax and Revenue Anticipation Notes" and "Energy Performance Contract Debt Service," herein).
- (3) The District anticipates that it will receive State Aid on a portion of existing indebtedness contracted for school building purposes pursuant to Section 121.20 of the Local Finance Law.

Bond Anticipation Notes

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

Tax and Revenue Anticipation Notes

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

Trend of Outstanding Indebtedness

The following table provides information relating to direct capital indebtedness outstanding for each of the last five fiscal years ending June 30:

	<u>Direct Capital Indebtedness Outstanding</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bond Anticipation Notes	\$ 11,605,000	\$ 14,885,000	\$ 4,600,000	\$ 17,060,000	\$ 0
Bonds	<u>92,370,000</u>	<u>85,170,000</u>	<u>87,040,000</u>	<u>78,800,000</u>	<u>120,270,000</u>
Totals	<u>\$103,975,000</u>	<u>\$100,055,000</u>	<u>\$91,640,000</u>	<u>\$95,860,000</u>	<u>\$120,270,000</u>

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

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 presents the amount of overlapping debt and the District's share of this debt. Authorized but unissued debt has not been included.

Statement Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of</u>	<u>District Share</u>	<u>Amount Applicable to District</u>
County of Westchester	\$666,093,024	12/31/17	3.26%	\$21,714,633
City of Mount Vernon	21,545,000	12/31/16	100.00	<u>21,545,000</u>
Total Net Overlapping Debt				\$43,259,633

Source: Data provided by County officials.

Debt Ratios

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

Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita⁽¹⁾</u>	<u>Debt to Full Value⁽²⁾</u>
Net Direct Debt	\$ 109,270,000	\$1,609.54	2.65%
Net Direct and Overlapping Debt	152,529,633	2,246.75	3.70%

(1) The population of the District is estimated by District officials to be approximately 67,889.

(2) The District's full value of taxable real property for fiscal year 2018 is \$4,126,525,014.

Capital Project Plans

The District's current (adopted July, 2015) Five Year Capital Plan is largely centered on the most immediate capital needs identified in the 2015 Building Condition Survey from Fuller & D'Angelo Architects. The new five year plan is under way and is expected to be completed by July 31, 2020.

The District has successfully completed a \$45 million Energy Performance Contract (EPC) which will not have any taxpayer obligations. This project converted all lighting fixtures, replaced antiquated boilers in most schools, replaced windows and doors at Mount Vernon High School, provided automatic controls and replaced most of the HVAC equipment in 17 buildings. (See "Energy Performance Contract Debt Service" herein).

The voters passed a \$108 million bond referendum in March of 2016 for major renovations, improvements, and an addition to one elementary school. State building aid will be an estimated 75% of the entire cost. The District issued a Bond for \$50.07 million in August 2017 from this authorization of which, \$13 million was used to settle an outstanding Bond Anticipated Note (BAN) for \$14 million that was due to be paid in the same month with the District paying the remaining \$1,000,000 using funds on hand. (See "Authorization and Purpose for the Notes" herein).

To partially offset tax increases in coming years, the District has set aside extra reserves in the amount of \$4.5 million of which \$1 million was used in 2017-18 budget and \$1.5 million was used in 2018-19 budget leaving a remaining unused reserve of \$2 million which will be used in the next 2 year period.

This issue will add \$32,000,000 in new money to fund the above mentioned project. (See “Capital Project Plans”).

Energy Performance Contract Debt Service

The following table shows the debt service requirements to maturity on the District's outstanding energy performance contract.

Energy Performance Contract Principal and Interest Maturity Table

Fiscal Year Ending	Principal	Interest	Total Debt Service
2019	\$ 2,641,145	\$1,133,054	\$ 3,774,199
2020	2,713,386	1,060,813	3,774,199
2021	2,787,607	986,592	3,774,199
2022	2,863,862	910,337	3,774,199
2023	2,942,207	831,992	3,774,199
2024	3,022,700	751,499	3,774,199
2025	3,105,399	668,800	3,774,199
2026	3,190,365	583,834	3,774,199
2027	3,277,661	496,538	3,774,199
2028	3,367,350	406,849	3,774,199
2029	3,459,499	314,700	3,774,199
2030	3,554,174	220,025	3,774,199
2031	3,651,445	122,754	3,774,199
2032	1,793,357	36,185	1,829,542
Totals	\$42,370,157	\$8,523,972	\$50,894,129

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Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness, exclusive of the Bonds, any economically defeased obligations, and energy performance contract debt.

Bond Principal and Interest Maturity Table

Fiscal Year	Principal	Interest	Total Debt Service
Ending			
2019 ⁽¹⁾	\$11,000,000	\$5,502,611	\$16,502,611
2020	9,100,000	4,101,450	13,201,450
2021	9,340,000	3,727,938	13,067,938
2022	9,170,000	3,359,934	12,529,934
2023	9,475,000	2,966,663	12,441,663
2024	8,820,000	2,533,775	11,353,775
2025	8,520,000	2,133,866	10,653,866
2026	8,170,000	1,783,363	9,953,363
2027	8,120,000	1,457,703	9,577,703
2028	7,035,000	1,174,719	8,209,719
2029	6,600,000	923,506	7,523,506
2030	6,815,000	691,484	7,506,484
2031	7,050,000	467,594	7,517,594
2032	6,455,000	247,338	6,702,338
2033	4,245,000	77,644	4,322,644
2034	115,000	11,469	126,469
2035	115,000	7,156	122,156
2036	125,000	2,500	127,500
Totals	\$120,270,000	\$31,170,712	\$151,440,712

(1) For the entire fiscal year.

Source: Audited Financial Statements of the District and District Office of the School Business Administrator. This summary is not audited.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following represents the population trends for the City, County and State, based on recent census data.

Population Trend

	2010	2015	Percentage Change 2010/2014
City	67,292	68,221	1.38%
County	949,113	967,315	1.92
State	19,465,197	19,673,174	1.07

Source: 2010 and 2015 U.S. Census.

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the City of Mount Vernon, County, and State. Data provided below is not necessarily representative of the District.

Civilian Labor Force

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City	33,400	33,000	33,300	33,200	33,400
County	477,700	472,800	481,200	481,100	484,100
State	9,659,200	9,591,300	9,644,600	9,668,700	9,704,700

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

Yearly and Monthly Unemployment Rates

Unemployment rates are not compiled for the District, but are available for the City of Mount Vernon, County and State. Data provided below is not necessarily representative of the District.

	<u>Year Average</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Mount Vernon City	8.4%	7.2%	6.1%	5.6%	6.1%
Westchester County	6.3%	5.1%	4.5%	4.3%	4.6%
New York State	7.7%	6.3%	5.3%	4.8%	4.7%

2018 Monthly Figures

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
Mount Vernon City	6.5%	6.7%	6.1%	5.6%	5.4%	5.6%	5.7%	5.7%	4.9%
Westchester County	4.9%	5.2%	4.7%	4.2%	3.8%	4.1%	4.1%	4.1%	3.6%
New York State	5.1%	5.1%	4.8%	4.3%	3.7%	4.2%	4.2%	4.1%	3.8%

Source: State of New York, Department of Labor. (Note: Figures not seasonally adjusted).

Transportation

Due to its strategic location, the City is easily accessible to and from County and regional markets, in addition to New York City, upstate New York and New England. The City is located thirteen miles from mid-town Manhattan, nine miles from White Plains (the Westchester County seat), eleven miles from the Tappan Zee Bridge off the New York State Thruway, and eighteen miles from Stamford, Connecticut. Bounded by the Bronx River Parkway to the west and the Hutchinson River Parkway to the east, and bisected by the Cross County Parkway, the City is well served by major arteries.

Metro-North's commuter rail lines have stations in the central and northern sections of the City, within walking distance of most residential neighborhoods. Metro-North's two stations, Fleetwood and Mount Vernon, serve west and north Mount Vernon. Metro-North's Mount Vernon station is located near the Gramatan Avenue business district, the Southeast Industrial Area, and central and southern neighborhoods. The New Haven Line also has a rail station in the City. Midtown Manhattan is less than a one-half hour scheduled trip by rail from most of the City's homes.

Recreation

Residents enjoy a wide range of recreational facilities within the City, including playgrounds, swimming pools, ballfields, indoor and outdoor tennis courts and public parks including the Wilson Woods, Hunt Woods and Scouts Field Parks. Recent new private recreational facilities include baseball batting cages, a miniature golf course and an ice skating rink.

Banking Facilities

Banking services are provided by offices of JP Morgan Chase Bank, and Sterling National Bank.

Commerce and Industry

The business hub lies on Gramatan and Fourth Avenues in the center of the City. A wide range of retail and service establishments make this the City's main shopping center. Shoppers come not only from the City, but also from parts of the Bronx, the Pelhams, New Rochelle, and Yonkers - a trade area of over 200,000 people. Several municipal parking garages, frequent bus service, and the nearby Metro-North Railroad station make the Gramatan-Fourth Avenue strip a convenient shopping location. Two million dollars in federal community development funds were invested in public improvements in the Central Business District.

Aside from having its own established and diverse downtown, City residents live within a few minutes' drive to major shopping facilities in the New York metropolitan area, including the Cross County Shopping Center in neighboring Yonkers, the New Rochelle and the Pelham shopping centers and the major regional retail center in White Plains. Convenient bus and train lines also link these centers to the City.

The City's economic strength lies in its industrial base. Major manufacturers, research facilities, and smaller specialized firms have found the centralized location and its large and stable work force to be beneficial to their businesses. Industrial development is concentrated in three sections: the Southeast Industrial Area, where the Eastchester Creek provides easy and inexpensive access to the Long Island Sound; the MacQuesten Parkway Industrial Area; and the Washington Street Industrial Area.

The following employers, each with 200 or more employees, are located in the District.

<u>Name</u>	<u># of Employees</u>
Mount Vernon CSD	1,708
Montefiore Mount Vernon Hospital	750
Wartburg Adult Care Community	672
Target Corp.	375
Transcare (Ambulette Service)	360
Unitex – Linen Supply	304
Mount Vernon Neighborhood Health Center	260
Landauer Metropolitan – Medical Equipemet	248
First Student – School Bus Service	245

Utilities

Water supply comes from the New York City Delaware Aqueduct system. Electricity and gas service are provided by the Consolidated Edison Company. Telephone service is provided by the Verizon/LCI. Virtually every section of the City is serviced by municipal storm and sanitary sewers.

Services

Police protection is provided by the City. Fire protection is provided by the City through a force of paid firefighters augmented by volunteers. The Public Works Department is responsible for collection and disposal of refuse and garbage.

Health services are provided by the Mount Vernon Hospital, a private non-profit institution, and the Mount Vernon Neighborhood Health Center.

End of Appendix A

APPENDIX B

SUMMARY OF BUDGETS AND FINANCIAL STATEMENTS
(Summary itself is not audited)

**Mount Vernon City School District
Revenues, Expenditures and Fund Balance - General Fund**

Year Ended June 30:	2014	2015	2016	2017	2018
REVENUES					
Real Property Taxes	\$113,081,599	\$115,983,414	\$114,649,551	\$115,550,083	\$115,039,193
Other Tax Items	22,003,770	21,206,235	21,446,823	21,810,273	20,663,813
Non-property Taxes	2,679,737	2,570,574	2,455,652	2,453,795	2,463,049
Charges for Services	1,079,510	1,448,135	1,358,016	1,498,685	1,321,080
Use of Money and Property	395,314	323,339	163,396	548,678	983,944
Sale of Property and Compensation for Loss	0	0	0	0	0
Interfund Revenues	220,359	233,984	210,282	212,258	240,058
State Sources	71,730,597	78,193,191	88,019,115	93,378,066	97,481,194
Federal Sources	96,197	61,175	25,253	22,180	60,370
Miscellaneous	677,368	1,045,891	927,305	3,681,334	1,153,265
Total Revenues	211,964,451	221,065,938	229,255,393	239,155,352	239,405,966
EXPENDITURES					
General Support	\$32,924,950	\$27,356,888	\$29,904,727	\$32,809,746	\$32,887,277
Instruction	117,570,654	121,995,382	127,536,578	134,394,052	134,923,976
Pupil Transportation	7,735,886	7,802,184	7,494,346	8,374,805	7,771,752
Employee Benefits	46,960,311	48,709,343	48,225,959	48,701,022	47,678,914
Debt Service	10,652,943	10,442,243	10,709,209	12,695,839	15,474,139
Total Expenditures	215,844,744	216,306,040	223,870,819	236,975,464	238,736,058
Excess (Deficiency) of Revenues Over Expenditures	(3,880,293)	4,759,898	5,384,574	2,179,888	669,908
OTHER FINANCING SOURCES (USES)					
Proceeds of Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Bond Anticipation Notes Issued	2,500,000	0	0	0	0
Insurance Recoveries	427,274	258,837	238,070	218,470	136,393
Premium on Bonds Issued	0	0	416,587	0	5,749,214
Operating Transfers In	0	492,454	766	633,549	91,675
Operating Transfers Out	(2,595,116)	(3,066,649)	(3,687,344)	(6,698,951)	(6,599,412)
Total Other Financing Sources	332,158	(2,315,358)	(3,031,921)	(5,846,932)	(622,130)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,548,135)	2,444,540	2,352,653	(3,667,044)	47,778
Fund Balance (Deficit) - Beginning of Year	35,433,809	31,885,674	34,330,214	36,682,867	33,015,823
Accounting Change and Adj.	0	0	0	0	0
Fund Balance - End of Year	\$31,885,674	\$34,330,214	\$36,682,867	\$33,015,823	\$33,063,601

¹ See "General Fund Decifit" section herein.

Source: Annual audited financial statements of the Mount Vernon City School District (Summary not Audited).

Mount Vernon City School District
Budget - General Fund

Year Ending June 30:	<u>2017-2018</u>	<u>2018-2019</u>
	Adopted	Adopted
<u>REVENUES</u>	<u>Budget</u>	<u>Budget</u>
Real Property Taxes	\$114,701,891	\$115,722,738
Other Tax Items	23,845,582	24,378,025
Charges for Services	1,276,300	1,375,500
Use of Money and Property	201,000	576,000
Sale of Property and Compensation for Loss	125,000	170,000
Miscellaneous	381,173	379,969
Interfund Transfer	155,000	200,000
Federal Aid	50,000	52,500
State Sources	99,100,727	102,886,670
Fund Balance	<u>6,332,450</u>	<u>6,238,458</u>
 Total Revenues	 <u><u>\$246,169,123</u></u>	 <u><u>\$251,979,860</u></u>
 <u>EXPENDITURES</u>		
General Support	\$26,746,716	\$28,984,972
Instruction	146,808,251	143,874,087
Pupil Transportation	8,401,354	6,793,556
Employee Benefits	46,247,052	47,496,906
Interfund Transfers	1,491,608	4,473,003
Debt Service	<u>16,474,142</u>	<u>20,357,336</u>
 Total Expenditures	 <u><u>\$246,169,123</u></u>	 <u><u>\$251,979,860</u></u>

Source: Annual Adopted Budgets of the District.

**Mount Vernon City School District
Comparative Balance Sheets - General Fund**

As of June 30:	<u>2017</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Equivalents	\$47,772,066	\$37,220,611
Investments	0	0
Receivables:		
Taxes	8,174,688	8,501,024
Accounts, net of allowance for uncollectible amounts	3,798	26,946
State and Federal Aid Recievable	4,672,382	6,041,399
Due From Other Governments	3,647,479	3,106,944
Prepaid Expenses	0	7,425
Due From Other Funds	<u>6,056,461</u>	<u>5,530,313</u>
 TOTAL ASSETS	 <u><u>\$70,326,874</u></u>	 <u><u>\$60,434,662</u></u>
 <u>LIABILITIES</u>		
Accounts Payable	\$8,538,904	\$0
Accrued Liabilities	5,884,910	6,005,545
Due to Other Funds	0	0
Due to Other Governments	0	0
Due to Retirement System	13,734,535	11,785,301
Overpayments	1,837,689	1,999,772
Deferred Tax Revenue	<u>7,315,013</u>	<u>7,580,443</u>
 TOTAL LIABILITIES	 <u><u>37,311,051</u></u>	 <u><u>27,371,061</u></u>
 <u>FUND BALANCES</u>		
Non Spendable	\$0	\$7,425
Restricted	15,046,336	20,880,283
Committed	0	0
Assigned	6,740,456	2,013,653
Unassigned	<u>11,229,031</u>	<u>10,162,240</u>
 TOTAL FUND BALANCE	 <u><u>33,015,823</u></u>	 <u><u>33,063,601</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$70,326,874</u></u>	 <u><u>\$60,434,662</u></u>

Source: Annual audited financial statements of the Mount Vernon City School District (Summary not Audited).

APPENDIX C

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2018***

**CAN BE ACCESSED ON THE ELECTRONIC MUNICIPAL MARKET ACCESS
("EMMA") WEBSITE
OF THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB")
AT THE FOLLOWING LINK:**

<https://emma.msrb.org/ES1215794-ES949433-ES1350273.pdf>

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

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

APPENDIX D

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
FOR THE BONDS**

December 12, 2018

City School District of the City of Mount Vernon,
County of Westchester,
State of New York

Re: City School District of the City of Mount Vernon, Westchester County, New York
\$32,000,000 School District (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$32,000,000 School District (Serial) Bonds, 2018 (the "Obligations"), of the City School District of the City of Mount Vernon, Westchester County, New York (the "Obligor"), dated December 12, 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 _____ per centum (_____%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, and at the rate of _____ per centum (_____%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, payable on December 1, 2019 and semi-annually thereafter on June 1 and December 1, and maturing in the amount of \$ _____ on December 1 in each of the years 2020 to 2033, both inclusive.

The bonds maturing on or before December 1, 2026 will not be subject to redemption prior to maturity. The bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity, at the option of the Obligor, on December 1, 2026 and thereafter on any date, 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), at the price equal to the par principal amount, plus accrued interest to the date of redemption.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

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

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

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

In our opinion:

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

enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

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

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

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

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to

enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP