

**NEW ISSUE
SERIAL BONDS**

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 alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "Tax Matters" herein.

*The Bonds **WILL NOT** be deemed designated as "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986.*

**TOWN OF NEW CASTLE
WESTCHESTER COUNTY, NEW YORK
\$17,091,130
PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018
(the "Bonds")**

Date of Issue: Date of Delivery

Maturity Dates: February 1, 2019 - 2048

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

The Bonds will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, except for an odd denomination which includes \$1,130 maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds. Payment of the principal of and interest on the Bonds will be made by the Town to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "Book-Entry-Only System" herein.

The Bonds will be dated their Date of Delivery, will bear interest from such date payable February 1, 2019 and semiannually thereafter on February 1 and August 1 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity as discussed herein. See "Book-Entry-Only System" herein.

The Bonds are offered subject to the final approving opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the Town in connection with the issuance of the Bonds. It is expected that delivery of the Bonds in book-entry form through the offices of DTC in Jersey City, New Jersey or as otherwise agreed upon with the purchaser will be made on or about February 20, 2018.

THIS OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE TOWN FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS. FOR A DESCRIPTION OF THE TOWN'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: January 23, 2018

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

<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
2019	\$1,056,130			643408
2020	1,070,000			643408
2021	1,075,000			643408
2022	1,080,000			643408
2023	1,080,000			643408
2024	920,000			643408
2025	925,000			643408
2026	925,000			643408
2027	930,000			643408
2028	935,000			643408
2029	600,000			643408
2030	600,000			643408
2031	600,000			643408
2032	600,000			643408
2033	600,000			643408
2034	270,000			643408
2035	270,000			643408
2036	270,000			643408
2037	270,000			643408
2038	270,000			643408
2039	270,000			643408
2040	275,000			643408
2041	275,000			643408
2042	275,000			643408
2043	275,000			643408
2044	275,000			643408
2045	275,000			643408
2046	275,000			643408
2047	275,000			643408
2048	275,000			643408

**TOWN OF NEW CASTLE
WESTCHESTER COUNTY, NEW YORK**

TOWN BOARD

Robert J. Greenstein
Supervisor

Lisa S. Katz.....Deputy Supervisor

Hala Makowska Board Member

Ivy A. Pool..... Board Member

Jeremy Saland Board Member

Jill Simon Shapiro..... Administrator

Robert Deary..... Comptroller

Keane & Beane, P.C..... Town Attorney

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

INDEPENDENT AUDITOR

PKF O’Connor Davies, LLP
Harrison, New York

MUNICIPAL ADVISOR



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

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No dealer, broker, salesman or other person has been authorized by the Town of New Castle 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 Town. 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 Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
THE BONDS	1	FINANCIAL FACTORS.....	A-5
Description	1	Budgetary Procedure	A-5
Authority for and Purpose of the Bonds	1	Independent Audits.....	A-5
Optional Redemption	2	Investment Policy	A-6
Book-Entry-Only System	2	Revenues.....	A-7
NATURE OF OBLIGATION	4	REAL PROPERTY TAXES.....	A-9
Tax Levy Limitation Law	6	Assessed and Full Valuations.....	A-9
Real Property Tax Rebate.....	6	Tax Collection Procedures	A-9
SPECIAL PROVISIONS AFFECTING REMEDIES		School Tax Collections.....	A-10
UPON DEFAULT.....	7	Ten of the Largest Taxpayers.....	A-10
MARKET FACTORS.....	10	TOWN INDEBTEDNESS.....	A-11
THE STATE COMPTROLLER’S FISCAL STRESS		Constitutional Requirements	A-11
MONITORING SYSTEM AND COMPLIANCE		Statutory Procedure	A-11
REVIEWS	11	Constitutional Debt-Contracting Limitation	A-12
LITIGATION	12	Statutory Debt Limit and Net Indebtedness	A-13
TAX MATTERS	13	Bond Anticipation Notes.....	A-13
LEGAL MATTERS.....	14	Tax and Revenue Anticipation Notes	A-13
DISCLOSURE UNDERTAKING.....	14	Installment Purchase Debt	A-14
Compliance History	15	Trend of Capital Debt	A-14
		Overlapping and Underlying Debt.....	A-15
		Debt Ratios	A-16
MUNICIPAL ADVISOR.....	15	Authorized But Unissued Debt.....	A-16
RATING	16	Debt Service Schedule	A-17
ADDITIONAL INFORMATION.....	16	ECONOMIC AND DEMOGRAPHIC DATA ...	A-17
APPENDIX A - THE TOWN		Population	A-17
THE TOWN	A-1	Income	A-18
General Information	A-1	Employment.....	A-18
Form of Government.....	A-1	Financial Institutions	A-19
Services	A-2	Transportation	A-19
Employees	A-2	Utilities	A-20
Employee Benefits	A-2	Housing Data.....	A-20
Other Postemployment Benefits.....	A-4	Economic Development.....	A-20

APPENDIX B - UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS 22
 APPENDIX C - LINK TO INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED
 DECEMBER 31, 2016
 APPENDIX D - FORM OF BOND COUNSEL’S OPINION

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OFFICIAL STATEMENT
TOWN OF NEW CASTLE
WESTCHESTER COUNTY, NEW YORK

relating to
\$17,091,130
PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018
(the "Bonds")

This Official Statement, which includes the cover page, inside cover page and appendices hereto, presents certain information relating to the Town of New Castle in the County of Westchester, State of New York (the "Town," "County," and "State," respectively), in connection with the sale of \$17,091,130 Public Improvement (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 Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

THE BONDS

Description

The Bonds will be dated their Date of Delivery, will bear interest from such date payable February 1, 2019 and semiannually thereafter on August 1 and February 1 until maturity and will mature on the dates in the years and amounts as set forth on the inside cover page hereof. The Bonds are subject to optional redemption prior to maturity (see "Optional Redemption" herein).

The Bonds will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, except for an odd denomination which includes \$1,130 maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds.

Principal of and interest on the Bonds will be made by the Town to DTC, which will in turn remit such principal of and interest on to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Town referred to therein.

The record date for payment of principal of and interest on the bonds will be the fifteenth day of the calendar month preceding each interest payment date.

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the State Constitution and statutes of the State, including among others, the Town Law, the Local Finance Law, and bond resolutions adopted by the Town Board on various dates authorizing the issuance of serial bonds.

The proceeds of the Bonds will provide \$17,091,130 in new money as follows.

Purpose	Authorization Date ⁽¹⁾	Amount of the Bonds
Water Improvements	12-19-17	\$ 3,640,361
Downtown Area Road Improvements	12-19-17	2,884,251
Downtown Area Streetscape Improvements	12-19-17	2,855,915
Drainage Improvements	12-19-17	2,560,349
Sewer Increase and Improvement of Facilities	12-19-17	1,839,206
Heavy Equipment	12-19-17	1,469,803
IT Infrastructure Improvements - General Fund Portion	12-19-17	591,263
Fuel Tank Replacement at DPW Facility	12-19-17	500,000
Improvements to the Basketball Court/Playground at Town Hall	12-19-17	259,000
Improvements at the Chappaqua Performing Arts Center	12-19-17	150,000
Improvements to Gedney Park Playground	12-19-17	143,895
IT Infrastructure Improvements -Water Fund Portion	12-19-17	118,253
IT Infrastructure Improvements -Highway Fund Portion	12-19-17	39,417
IT Infrastructure Improvements -Refuse Fund Portion	12-19-17	39,417
		<u>\$17,091,130</u>

(1) The Town is still in the process of complying with the estoppel process for various resolutions. However, the Town will have complied prior to closing on the Bonds. See “Statutory Procedure,” herein.

Optional Redemption

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

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

Book-Entry-Only System

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company

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

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

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

NATURE OF OBLIGATION

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

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

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitation.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to

the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the 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 Town’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

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

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

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

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

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

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

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

Tax Levy Limitation Law

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

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. As amended, the Tax Levy Limitation Law expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

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

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

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 (“Chapter 59”), included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each

year depended on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which were indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which would have provided the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount was increased in the second year if compliance occurred in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrated “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.”

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limit Law. The Town complied with the provisions of Chapter 59 and its taxpayers received the rebates provided in 2015 and 2016.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015 which generally extends the provisions of the program through 2019 and includes continued tax cap compliance.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

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

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

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

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

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MARKET FACTORS

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

obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

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

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

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

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

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

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

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller (“OSC”) has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

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

The most current applicable report, for 2016 data, of the State Comptroller designates the Town as “No Designation,” with a fiscal score of 10.0% and an environmental score of 2.5%.

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 Town are subject to periodic compliance reviews by OSC to ascertain whether the Town has complied with the requirements of various State and federal statutes.

LITIGATION

Various notices of claims have been filed against the Town; allegations in these matters relate to circumstances of violation of civil rights, personal injury or property damage among other allegations. The plaintiffs in most of these actions are seeking money damages, however, in certain instances injunctive relief may be requested. Except as otherwise noted, it is the opinion of the Town that existing insurance coverage adequately protects the Town against these various compensatory monetary damage claims and the financial exposure, if any, is not material.

General Liability Matters. The Town, in common with other municipalities, receives numerous notices of claims for money damages arising generally from false arrest, malicious prosecution, false imprisonment or personal injury. One such claim is pending relating to excessive force. The Town's attorney advised that they have not been engaged to give substantive attention to, or represent the Town in connection with, any pending or threatened litigation that could have a material adverse effect on the Town's finances.

Risk Management. The Town purchases various insurance policies to limit its exposure to loss. The general liability, auto liability and police professional liability policies each provide coverage up to \$1 million. The public official's liability policy provides coverage up to \$1 million. In addition, the Town maintains an umbrella liability policy with a limit of \$10 million. The Town also insures all its buildings and contents for an amount up to \$86.02 million, which represents the replacement cost value of this property. The Town purchases conventional workers' compensation insurance with coverage at statutory levels. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The Town, along with other municipal entities, participates in the Municipal Employees Benefits Consortium ("MEBCO"). MEBCO was formed in April 1988 pursuant to an act of the Board of Legislators of the County of Westchester. This act provided cities, towns, school districts and villages throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law. The purpose of the pool is to stabilize the cost of medical benefits provided to employees. MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims loss experience. Each municipality is responsible for the first \$75,000 of each individual claim which is charged against the municipality's contribution to the pool. The pool has insurance coverage to pay for individual claims above \$75,000.

Tax Certiorari Claims. There are also pending against the Town various proceedings brought pursuant to Article 7 of the State Real Property Tax Law to review and reduce real estate assessments and obtain a refund for alleged overpayments of real estate taxes. The results of the pending tax certiorari proceedings cannot be determined at this time, however, assessment reductions historically have been significantly smaller than the amounts claimed. The Town's tax base has remained relatively constant with new assessments offsetting reductions due to certiorari settlements. It is believed that an adverse decision in any or all these proceedings, in whole or in part, whether by stipulation or judgment, would not have a material impact of the financial condition of the Town.

Future refunds resulting from an adverse settlement or judgment will be funded in the year of payment. For the fiscal year ended December 31, 2015 and 2016 the Town paid tax refunds of \$350,398 and \$7,000, respectively. In 2015, the town settled with the developer who now owns the former Readers Digest property for approximately \$326,000. For the current fiscal year, as of December 19, 2017, the Town has paid \$29,609 in tax refunds. The Town is authorized under State law to finance tax refunds with the proceeds of debt.

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the 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 Town has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

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

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

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

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

(1) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement anticipated to be dated January 30, 2018 of the Town relating to the Bonds under the headings "Litigation" and in Appendix A under the headings "The Town", "Financial Factors", "Real Property Taxes", "Town Indebtedness" and "Economic and Demographic Data" and Appendix B by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ended December 31, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ended December 31, 2017; such audit (prepared in accordance with the accounting principles the Town may be required to employ pursuant to State law or regulation), if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the Town 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 Town of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

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

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

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 Town 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 Town 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 Town, 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 Town.

The Town may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Town 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 Town’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Town, 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 Town to comply with the Undertaking will not constitute a default with respect to the Bonds.

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

Compliance History

Since 2007, there have been in excess of 50 rating actions reported by Moody’s Investors Service, S&P Global Ratings and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the Town. Due to widespread knowledge of these rating actions, material event notices were not filed by the Town in each instance.

MUNICIPAL ADVISOR

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

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

Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

RATING

Moody's Investors Service (Moody's) has assigned a "Aaa," rating with a stable outlook to the Bonds and the outstanding bonded debt of the Town.

Such rating reflects only the views of such organization 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.

ADDITIONAL INFORMATION

Additional information may be obtained from Robert Deary, Comptroller, 200 South Greeley Avenue, Chappaqua, New York 10514, (914) 238-7277, e-mail: rdeary@mynewcastle.org or from the Town's Municipal Advisor, Capital Markets Advisors, LLC, 1075 Route 82, Suite 4, Hopewell Junction, New York 12533, (845) 227-8678.

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

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

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

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Town, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the 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 Town will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a

material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the Town, as to which no representation can be made.

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

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

TOWN OF NEW CASTLE
WESTCHESTER COUNTY, NEW YORK

By: _____
Robert J. Greenstein
Supervisor

DATED: January 23, 2018

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APPENDIX A

THE TOWN

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THE TOWN

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

General Information

The Town encompasses approximately 25 square miles and is located in the central portion of the County about 30 miles north of the City of New York, is a suburban community and is primarily residential in nature.

Population of the Town is 17,954 according to the interim 2016 U.S. Census data, which represents an increase of 385 persons or 2.2% since the 2010 Census. The Town is one of the most affluent communities in the United States. According to the American Community Survey – 5 Year Estimate (US Census Bureau), for 2016, the Town's per capita money income was \$93,095 which is 86.4% above the County level and nearly three times higher than the State average. Median family income for the Town was estimated at \$216,857 for 2016; while the County and State were estimated at \$110,543 and \$74,036, respectively (American Community Survey- 5 Year Estimate). Many residents commute to jobs in New York City, other areas of the County or nearby Connecticut. Unemployment statistics are not maintained for the Town, however, Town officials believe that unemployment in the Town is less than the County's overall rate. See "Economic and Data," herein.

Form of Government

The Town was established in 1791 by the State as a separate political entity vested with independent taxing and debt authority. There are no incorporated villages situated within the Town's borders. The Town has portions of six independently governed school districts which rely on their taxing powers granted by the State to raise revenues for school district purposes. The school districts use the Town's assessment roll as the basis for taxation of property within the Town.

Governmental operations of the Town are subject to the provisions of the State constitution and various statutes affecting local governments including the Town Law, General Municipal Law and the Local Finance Law. Real property assessment and tax collection procedures are determined by the Westchester County Tax Law, a basic feature of which requires that the Town collect real property taxes and guarantee the collection of such taxes levied by the County as well as school districts situated in the Town. The Real Property Tax Law, in part, also governs certain assessment and taxing procedures for the Town. Under Article 2 of the Town Law, the Town is classified as a first class town and has additionally elected suburban town status provided for in Article 3-A of this statute. The primary effect of each classification is to give greater flexibility to the way in which town government is organized and managed. A suburban town also enjoys certain advantages with respect to special improvement districts and reserve funds.

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

The Supervisor is the chief financial officer of the Town and is elected for a two-year term of office with the right to succeed him or herself. In addition, the Supervisor is a full member of and the presiding officer of the Town Board.

Appointed Officials. Pursuant to Article 3-B of Town Law, the Town established the position of Town Administrator, who is appointed by the Town Board and serves at the pleasure of this body. The Administrator is the chief administrative officer of the Town responsible for the daily operations of the Town. All of the department managers in the Town report to the Administrator. The Supervisor of Town has delegated the additional duties of budget officer to the Administrator.

The Town Clerk, who is appointed to a two-year term by the Town Board, acts as the custodian of the Town's records as well as the clerk to the Town Board. Duties of this office include: recording and maintaining the minutes of the proceedings of the Town Board, issuing certain licenses and permits, and coordinating Town elections. The Town Board elected to combine the duties of Town Clerk and Receiver of Taxes and Assessments to improve operational efficiencies. The Receiver of Taxes and Assessments collects all County, Town and school taxes, and all assessments levied or assessed in the Town.

The Comptroller is appointed by the Town Board for a two-year term. Duties and responsibilities of this position include: maintaining the Town's accounting systems and records, preparing the annual report to be filed with the State Comptroller, cash management and auditing vendor claims for payment.

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

Services

The Town provides most of the government services that its residents receive. Water, sewer and street lighting services are furnished by various special districts which are under the jurisdiction of the Town Board. Highway construction and the maintenance of roads is also a Town function. In addition, recreation is provided and parks are maintained by the Town. Other services performed at the Town level include: property assessment, police protection, zoning administration, planning, conservation, operating a community center and providing commuter parking. Fire protection is provided by two independent fire districts, which have separate taxing and debt powers. Education is provided by six central school districts which are as follows: Chappaqua, Bedford, Ossining, Yorktown, Byram Hills and Pleasantville. Each such central school district is independent of the Town and has separate taxing and debt authority.

The Town provides refuse collection services to residential properties through a town-wide district. A special assessment for this service is included on the property tax bill.

Employees

The Town currently employs 112 full-time and approximately 52 part-time employees. Some of such employees are represented by the following collective bargaining organizations.

<u>Employees Represented</u>	<u>Bargaining Agent</u>	<u>Contract Expiration Date</u>
59	Civil Service Employees Association	12-31-2020
38	Police Benevolent Association	12-31-2017 ⁽¹⁾

(1) In negotiation.

Source: Town Officials.

Employee Benefits

Substantially all employees of the City are members of the New York State and Local Employees Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS") (ERS and PFRS are referred to collectively hereinafter as the "Retirement System" where appropriate). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System

Law”). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired on or after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. Members hired on or after January 1, 2010 must contribute three or more percent of their gross annual salary toward the costs of retirement programs for the duration of their employment.

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

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

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

The New York State Retirement System allows municipalities to make employer contribution payments in December of each year, at a discount, or the following February, as required. The Town generally opts to make pension payments in December to take advantage of the discount. The Town made the 2018 payment on December 14, 2017 to take advantage of the discounted rate.

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

In Spring 2013, the State and ERS approved a Stable Contribution Option (“SCO”), which modified its existing SCO adopted in 2010, that gives municipalities the ability to better manage spikes in Actuarially Required Contribution rates (“ARCs”). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount. The Town pays its ERS and PFRS contributions on a pay as you go basis and does not expect to participate in the SCO in the foreseeable future.

For State Fiscal Year 2016-17, the average contribution rates decreased for the third year in a row. ERS decreased by 2.7% of payroll, from 18.2% to 15.5% and the average contribution rate for PFRS decreased by approximately .4% of payroll from 24.7% to 24.3%. For the State Fiscal Year 2017-18 the contribution rates for ERS and PFRS remain unchanged at the 2016-17 levels. Projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers.

ERS Contributions. The current retirement expenditures as provided by the New York Office of the State Comptroller for the fiscal years 2012 through 2016 and the amounts budgeted for the 2017 and 2018 fiscal years are shown in the following table:

Fiscal Year Ended December 31:	ERS	PFRS
2012	\$1,230,108	\$ 973,930
2013	1,444,349	1,232,365
2014	1,288,173	1,214,284
2015	1,380,595	1,160,265
2016	953,092	1,076,733
2017 (Budget) ⁽¹⁾	1,047,120	1,157,990
2018 (Budget) ⁽¹⁾	999,340	1,242,037

(1) Represents contributions in the General Fund, Highway Fund, Consolidated Water Fund, and Refuse Fund.

Source: The Office of the State Comptroller (Open Book NY) and Adopted Budgets of the Town. The summary itself is not audited.

See “Notes to Financial Statements- Note 3 -E” in the audited financial statements.

Other Postemployment Benefits

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

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

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

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Town account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation is required every two years for the Town. The Town’s funding policy is to contribute the current annual premium (net of employee contributions) for retired participants (i.e. pay-as-you-go). Current New York State law does not permit municipalities to pre-fund medical benefit obligations. For the 2016 fiscal year the Town contributed \$1,919,465.

The Town is in compliance with the requirements of GASB 45. The Town has determined that its unfunded actuarial accrued liability (“UAAL”) for OPEB as of January 1, 2016 was \$85,595,311. For the year ended December 31,

2016, the Town's ARC was \$7,352,791. The Town's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both.

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

See "Notes to Financial Statements- Note 3 -E" in the audited financial statements for the fiscal year ended December 31, 2016.

FINANCIAL FACTORS

Budgetary Procedure

Prior to the official budget process beginning, the Town Board, during the month of April, identifies several goals and objectives for the next fiscal year. The Town Administrator assembles the head of each administrative unit to review this document and set forth a program of tasks that collectively addresses the goals and objectives. These tasks are then utilized during the budget process to estimate the expenditures needed to carry forth the goals. Revenue estimates (other than real property taxes) are also provided to the Budget Officer by the department head responsible for collection. The tentative budget is then assembled and presented to the Town Board on or before October 20th. Estimates for each fire district situated within the Town must also be filed with the budget officer by this date (the Town has no authority to amend the budget submitted by a fire district). After reviewing these estimates, the budget officer prepares a tentative budget which includes his recommendations. A budget message explaining the main features of the budget is also prepared at this time. The tentative budget is filed with the Town Clerk not later than the 30th of October. Subsequently, the Town Clerk presents the tentative budget to the Town Board at the regular or special hearing which must be held on or before November 10th. The Town Board reviews the tentative budget and makes such changes as it deems necessary and that are not inconsistent with the provisions of the law. Following this review process, the tentative budget and such modifications, if any, as approved by the Board become the preliminary budget. A public hearing, notice of which must be duly published in the Town's official newspaper, on the preliminary budget is required to be held no later than the 10th day of December. At such hearing, any person may express his opinion concerning the preliminary budget; however, there is no requirement or provision that the preliminary budget or any portion thereof be voted on by members of the public. After the public hearing, the Town Board may further change and revise the preliminary budget. The Town Board, by resolution, adopts the preliminary budget as submitted or amended no later than December 20th, at which time, the preliminary budget becomes the annual budget of the Town for the ensuing fiscal year.

Budgetary control during the year is the responsibility of the Town Administrator who is assisted in this area by the Town Comptroller. However, any changes or modifications to the annual budget including the transfer of appropriations among line items must be approved by resolution of the Town Board.

Summaries of the 2017 and 2018 adopted budgets are presented as Appendix B herein.

Independent Audits

The Town retained the firm of PKF O'Connor Davies, LLP, Certified Public Accountants, to audit its financial statements for the fiscal year ending December 31, 2016. Appendix B, attached hereto, presents excerpts from the Town's most recent audited reports covering the last five fiscal years. Appendix C contains a link to the last fiscal year audit.

In addition, the Town is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. There have been no Town audits posted to the State Comptrollers website over the past five years.

See “The State Comptroller’s Fiscal Stress Monitoring System,” herein.

Investment Policy

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

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

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

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

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

An eligible irrevocable letter or credit may be issued, in favor of the Town, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other

unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

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

Revenues

The Town derives its revenues primarily from real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the years 2012-2016 is presented in Appendix B, hereto. Information for said fiscal years has been excerpted from the Town’s audited financial reports, however, such presentation has not been audited.

Property Taxes. The Town derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix A.) Property taxes accounted for approximately 55.0% of total General Fund revenue (excluding other financing sources) for the fiscal year ended December 31, 2016.

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

General Fund Revenue & Real Property Taxes

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenue ⁽¹⁾</u>	<u>Real Property Taxes</u>	<u>Taxes to Revenue</u>
2012	\$18,246,563	\$11,015,733	60.4%
2013	20,285,060	11,629,025	57.3
2014	19,892,300	11,868,536	59.7
2015	20,326,308	11,473,809	56.4
2016	20,680,965	11,377,357	55.0
2017 (Budget) ⁽²⁾	19,870,496	11,908,107	59.9
2018 (Budget) ⁽²⁾	20,058,813	11,809,470	58.9

(1) Exclusive of other financing source.
 (2) Exclusive of appropriated fund balance (\$75,000 for both 2017 and 2018) and interfund transfers (\$730,241 for 2017 and \$727,241 for 2018).

Source: The Audited Financial Statements and the Adopted Budgets of the Town. The summary itself not audited.

State Aid. The Town received approximately 6.6% (\$1,368,646) of total 2016 General Fund revenue a from the State, excluding other financing sources. For 2017 and 2018 the Town's adopted budgets estimate total State aid in the General Fund of \$1,088,639 and \$1,113,639, respectively.

The State is not constitutionally obligated to maintain or continue State aid to the Town and, in fact, has significantly reduced aid payments to municipalities and school districts during recent years in order to balance its own budget. In view of recent events, no assurance can be given that State aid payments to the Town will continue under existing formulae or in any other manner. Any further reductions in State aid could require a corresponding reduction in expenditures or an increase in revenue from other sources.

If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid.

The following table sets forth total General Fund revenue and State aid revenue received for each of the past five audited fiscal years and the amounts budgeted for the two most recent fiscal years.

General Fund Revenue & State Aid

Fiscal Year Ended December 31:	Total Revenue ⁽¹⁾	State Aid	State Aid to Revenue
2012	\$18,246,563	\$1,075,512	5.9%
2013	20,285,060	1,335,584	6.6
2014	19,892,300	1,123,403	5.6
2015	20,326,308	1,392,629	6.9
2016	20,680,965	1,368,646	6.6
2017 (Budget) ⁽²⁾	19,870,496	1,088,639	5.5
2018 (Budget) ⁽²⁾	20,058,813	1,113,639	5.6

(1) Exclusive of other financing source.
 (2) Exclusive of appropriated fund balance (\$75,000 for both 2017 and 2018) and interfund transfers (\$730,241 for 2017 and \$727,241 for 2018).

Source: The Audited Financial Statements and the Adopted Budgets of the Town. The summary itself not audited.

Sales Tax. The Town receives a share of the County sales tax. The County presently imposes a 1 ½% County-wide sales and use tax on all retail sales. Additionally, the State, effective May 1, 2005, imposes a 4% State sales tax and a 3/8% sales tax levied in the Metropolitan Transportation Authority District. The cities in the County have the power under State law to impose by local law and State legislative enactment their own sales and use taxes. At present, such taxes are imposed at a rate of 2½% in the Cities of White Plains, Mount Vernon, New Rochelle, and Yonkers. The Cities of Rye and Peekskill do not impose such a sales tax.

In July 1991, the State Legislature authorized an additional 1% sales tax for the County to impose in localities other than cities which have their own sales tax. This additional 1% sales tax became effective on October 15, 1991 and has been extended through May 31, 2016. The additional 1% sales tax is to be apportioned between the County (33 1/3%), school districts in the County (16 2/3%) and towns, villages and cities in the County which have imposed sales taxes (50%).

In February of 2004, the State Legislature authorized an increase of ½% to the additional 1% 1991 sales tax. The County retains 70% of this amount, the municipalities 20% and the school districts 10%. This increase became effective March 1, 2004 and expires on May 31, 2018.

As noted in the below table, for the fiscal year ended December 31, 2016 sales taxes accounted for approximately 12.4% of General Fund revenue, excluding other financing sources.

General Fund Revenue & Sales Tax

Fiscal Year Ended December 31:	Total Revenue ⁽¹⁾	Sales Tax	Sales Tax to Revenue
2012	\$18,246,563	\$2,317,890	12.7%
2013	20,285,060	2,471,394	12.2
2014	19,892,300	2,558,206	12.9
2015	20,326,308	2,533,649	12.5
2016	20,680,965	2,565,314	12.4
2017 (Budget) ⁽²⁾	19,870,496	2,450,000	12.3
2018 (Budget) ⁽²⁾	20,058,813	2,500,000	12.5

(1) Exclusive of other financing source.
 (2) Exclusive of appropriated fund balance (\$75,000 for both 2017 and 2018) and interfund transfers (\$730,241 for 2017 and \$727,241 for 2018).

Source: The Audited Financial Statements and the Adopted Budgets of the Town. The summary itself not audited.

REAL PROPERTY TAXES

Assessed and Full Valuations

The Town received approximately 55.0% of its General Fund revenue (excluding other financing sources) from real property taxes and assessments during the year ended December 31, 2016 (see “Financial Factors – Real Property Taxes,” herein). The following table shows the trend during the last five years for real property assessments, real property tax and assessment levies, general purpose tax rates and unpaid taxes at the end of each year.

Real Property Tax Statistics					
<u>2014-2018</u>					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxable Value	\$1,065,375,856	\$1,069,072,726	\$1,064,605,525	\$1,065,554,771	\$1,068,545,982
Equalization Rate (%)	<u>21.02%</u>	<u>20.67%</u>	<u>19.34%</u>	<u>19.50%</u>	<u>19.05%</u>
Full Value	<u>\$5,068,391,323</u>	<u>\$5,172,098,336</u>	<u>\$5,504,682,135</u>	<u>\$5,464,383,441</u>	<u>\$5,609,165,260</u>
Town and County Tax levy:					
General ⁽¹⁾	\$15,013,015	\$15,300,069	\$15,394,802	\$15,730,200	\$15,972,980
Special Dist. ⁽²⁾	8,852,861	7,868,668	7,949,865	7,964,148	7,918,141
County Tax Levy ⁽³⁾	<u>18,617,805</u>	<u>18,937,832</u>	<u>19,217,437</u>	<u>18,622,940</u>	N/A
Total	<u>\$42,483,681</u>	<u>\$42,106,569</u>	<u>\$42,562,104</u>	<u>\$42,317,288</u>	N/A
Tax Rate ⁽⁴⁾	\$14.09	\$14.31	\$14.46	\$14.76	\$14.95
Uncollected Taxes:					
Amount ⁽⁵⁾	\$68,450	\$113,245	\$128,465	\$260,278	N/A
Percent To Total Levy	0.16%	0.27%	0.30%	0.62%	N/A

- (1) Tax levy for General Fund and Highway Fund.
- (2) Special district include taxes for independent fire districts.
- (3) Includes assessments for County Sewer District.
- (4) Tax rate per \$1,000 assessed value for General and Highway Fund purposes.
- (5) Represents uncollected portion of current Town and County taxes.

Source: Town Officials.

The Town derives its power to levy an ad valorem real property tax from the Constitution of the State. The Town levies taxes for Town and special district operating purposes and for debt service.

Tax Collection Procedures

The assessment, levy and collection of real property taxes is governed by the Real Property Tax Law of the State and the County Tax Code. Towns and cities in the County assess all real property within their boundaries and collect and enforce all real property taxes and assessments. The Town receives tax warrants for the collection of taxes from the County as well as the school districts and fire districts within its boundaries. The Town remits the full amount of the County, fire district and school district taxes according to the times prescribed by the County Tax Code. The Town is required to pay the full amount of each warrant presented by these various entities whether or not these amounts are actually collected by the Town. The Town enforces delinquent taxes by acquiring tax liens and in-rem foreclosure proceedings.

Town and County taxes, and special district assessments for the period from January 1st to December 31st are due in a single payment on April 1st. Payment may be made without penalty until April 30th, after which the penalty is 2% during May, 5% during June and July, 7% during August and September, 10% during October, November and December and 12% thereafter to tax lien date (generally in May following the year of levy).

School taxes for the school year beginning July 1st may be paid in two installments. The first such installment is due on September 1st and may be paid without penalty until September 30th, after which the penalty is 2% during October, 5% during November, 7% during December and January, 10% during February and March, and 12% thereafter to the date of the tax lien date. The second installment of school taxes is payable without penalty until January 31st, after which the penalty is 10% during February and March, and 12% thereafter to the date of the tax lien date (generally in the month of May).

School Tax Collections

**School District Fiscal Years
Ended 2013-2017**

<u>Fiscal Years Ended June 30:</u>	<u>Amount of Tax Levy</u>	<u>Tax Collections</u>	<u>Unpaid Taxes ⁽¹⁾</u>	<u>Current Collections To Tax Levy (%)</u>
2013	\$102,640,577	\$102,597,285	\$43,292	99.9
2014	107,712,220	107,390,524	321,696	99.8
2015	108,317,839	107,988,201	329,638	99.7
2016	109,274,031	108,767,019	507,012	99.7
2017	110,428,507	57,441,158	52,987,349	52.0

(1) School taxes included in annual tax sale or for which the Town issued liens on or about July 1st.

Source: Town Officials.

Ten of the Largest Taxpayers

The following table presents the taxable assessments of the Town’s larger taxpayers.

2016

<u>Taxpayer</u>	<u>Classification</u>	<u>Assessed Valuation</u>	<u>% Total Assessed Valuation</u>
Consolidated Edison Company	Utility	\$38,044,358	3.57%
SG Chappaqua	Publishing	7,275,500	0.68
Massealah International	Residential	5,526,500	0.52
Seema Boesky	Residential	3,442,500	0.32
Stewart Dauman	Residential	2,863,228	0.27
Sumatra LLC	Residential	2,258,900	0.21
Whipporwill Club	County Club	1,826,860	0.17
Deer Creek LLC	Residential	1,644,700	0.15
Willwood Holdings	Industrial	1,586,600	0.15
Mt. Kisco Country Club	Country Club	1,530,000	0.14
		<u>\$65,999,146</u>	<u>4.49%</u>

Source: Town Officials and the 2016 CAFR Report.

See “Litigation” for discussion of the settlement of taxpayer certiorari claims. According to Town officials, currently Whipporwill Club Inc. has a pending tax certiorari claim.

TOWN INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town, subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the rate which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Tax Services (the "ORPTS"). The State Legislature is required to prescribe the manner by which such rate shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure

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

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

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

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal

(Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

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

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

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

Constitutional Debt-Contracting Limitation

ORPTS annually establishes State equalization rates for all assessing units in the State, including the Town, which are determined by statistical sampling of market/assessment studies. The equalization rates are used in the calculation and distribution of certain state aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The Town is not subject to a constitutional real property taxing limitation but has a debt contracting limitation equal to seven percent (7%) of average full valuation (See “Constitutional Requirements, Debt Limit,” herein). **See also “Tax Levy Limitation Law” herein as to statutory constraints on real property taxation.**

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

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

**Computation of Debt Contracting Limitation
As of January 16, 2018**

Assessment Roll Filed	Year Ending December 31:	Taxable Assessed Valuation	State Equalization Rate ⁽¹⁾	Full Valuation
2013	2014	\$1,065,375,856	21.02%	\$ 5,068,391,323
2014	2015	1,069,072,726	20.67	5,172,098,336
2015	2016	1,064,605,525	19.34	5,504,682,135
2016	2017	1,605,554,771	19.50	5,464,383,441
2017	2018	1,068,545,982	19.05	<u>5,609,165,260</u>
Total Five-Year Full Valuation				<u>\$26,818,720,495</u>
Five-Year Average Full Valuation				<u>5,363,744,099</u>
Debt Contracting Limitation: 7% of Five-Year Average Full Valuation				<u>\$ 375,462,086</u>

(1) Final rates are provided by the ORPTS.

Statutory Debt Limit and Net Indebtedness

**Statement of Debt Contracting Power
As of January 16, 2018**

	<u>Amount</u>	<u>Percentage</u>
Debt Contracting Limitation:	\$375,462,086	100.00%
Gross Indebtedness:		
Serial Bonds ⁽¹⁾	<u>11,485,000</u>	<u>3.06</u>
Gross Indebtedness	<u>11,485,000</u>	<u>3.06</u>
Less Exclusions and Deductions:		
Water Indebtedness ⁽²⁾	3,194,381	0.85
Unexpended Appropriations to Pay Non-Exempt Principal Debt	<u>885,086</u>	<u>0.24</u>
Total Exclusions	<u>4,079,467</u>	<u>1.09</u>
Net Indebtedness ⁽¹⁾	<u>7,405,533</u>	<u>1.97</u>
Net Debt Contracting Margin	<u><u>\$368,056,553</u></u>	<u><u>98.03%</u></u>

(1) Excludes \$23,694 in installment purchase debt.
(2) Excluded pursuant to State Constitution.

Bond Anticipation Notes

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

Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted. Generally, bond anticipation notes are issued in the anticipation of the sale of bonds at some future date and may be renewed from time-to-time but, in general, may not be renewed beyond the fifth anniversary of their original issuance. However, bond anticipation notes issued in anticipation of the sale of bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reduction for the entire period of probable usefulness for which such notes were originally issued. Bond anticipation notes may not be renewed after the second year unless there is a principal payment made on such notes from a source other than the proceeds of bonds or bond anticipation notes. Pursuant to law, bond anticipation notes may not be renewed after the sale of bonds in anticipation of which the notes were originally issued. Capital notes may be issued to finance any capital purposes; the term for capital notes is generally limited to two years.

The Town currently has no outstanding bond anticipation notes.

Tax and Revenue Anticipation Notes

The Town is authorized by law to issue tax anticipation notes and revenue anticipation notes to provide cash to pay operating expenditures. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law and regulations issued under the Internal Revenue Code of 1986, as amended. Such notes may be renewed from time to time but generally not beyond three years, in the case of revenue anticipation notes, and five years for tax anticipation notes. Budget notes may be issued to finance current operating expenditures for which there is no

appropriation or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year.

The Town has not borrowed for operating purposes since 1993 and has no plans of issuing such debt in the foreseeable future.

Installment Purchase Debt

The Town has entered into agreements to lease various equipment and vehicles. The annual payments include interest ranging from 3.99-6.5%. The balance due at December 31, 2017 was \$23,694.

Trend of Capital Debt

The following table sets forth the gross amount of bonded debt outstanding at the end of each of the last five years. Refunded and installment purchase debt has been excluded from the table.

Bonded Debt
2013-2017

Years Ended December 31:	Bonded Debt
2013	\$19,959,051
2014	17,944,051
2015	15,955,000
2016	13,950,000
2017	12,135,000

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Overlapping and Underlying Debt

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

**Statement of Direct and Overlapping Indebtedness
As of January 16, 2018**

Gross Direct Indebtedness	\$11,485,000
Exclusions and Deductions	<u>4,079,467</u>
Net Direct Indebtedness	<u>\$ 7,405,533</u>

<u>Issuer</u>	<u>Date of Report</u>	<u>Total Net Underlying Debt</u>	<u>Applicable Percentage</u>	<u>Net Applicable Debt</u>
County:				
Westchester	11-15-17	\$557,913,351	2.04%	\$11,381,432
School Districts				
Byram Hills	06-30-17	30,180,000	1.00	301,800
Bedford	06-30-17	71,229,297	4.00	2,849,172
Chappaqua	10-10-17	46,260,000	91.60	42,374,160
Ossining	12-27-17	46,190,000	10.02	4,628,238
Yorktown	06-30-17	31,525,000	1.77	557,993
Fire Districts				
Millwood	12-31-17	8,605,000	100.00	<u>8,605,000</u>
Total				<u><u>\$70,697,795</u></u>

Source: Municipal Officials, the New York State Office of the State Comptroller and the MSRB.

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Debt Ratios

The following table presents certain ratios relative to the Town's capital indebtedness as of January 16, 2018.

**Direct and Overlapping Debt Ratios
As of January 16, 2018**

	<u>Amount</u>	<u>Per Capita⁽¹⁾</u>	<u>Ratio To Full Value⁽²⁾</u>	<u>Ratio To Per Capita Income⁽³⁾</u>
Gross Direct Debt	\$ 11,485,000	\$640	0.20%	0.69%
Net Direct Debt	7,405,533	412	0.13	0.44
Net Direct and Overlapping Debt	78,103,328	4,350	1.39	4.67

(1) The population of the Town, according to 2016 interim data compiled by the US Census Bureau, is 17,954.
 (2) Taxable full real property valuation for 2018 is \$5,609,165,260.
 (3) According to the American Community Survey – 5 Year Estimate (US Census Bureau), the Town’s per capita income in 2016 was estimated at \$93,095.

Authorized But Unissued Debt

Town officials have indicated they are presently exploring a dam project in the general range of \$1 million dollars. To fund the project the Town will first investigate potential grant opportunities. To the extent that grant funds are either unenviable or insufficient to cover all project, the Town may consider the issuance of debt obligations. However, as of the date of this Official Statement it is to early to determine if the Town will pursue the project

Recent Financings. The Town last sold bonds publicly in April 2013 when \$5,429,051 serial bonds were issued at a true interest rate of 2.19525% to finance various projects. The serial bonds mature on April 1 of each year from 2015 through and including 2033. In tandem with the serial bonds the Town also issued \$7,100,000 refunding bonds to redeem bonds originally issued in 2002, 2003, and 2005. The refunding bonds sold at a true interest rate of 1.4343% and generated \$762,021 in gross savings. The refunding bonds mature on December 1 of each year through and including 2024.

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Debt Service Schedule

The following table sets forth the annual debt service requirements on all outstanding bonds of the Town, excluding the Bonds and installment purchase debt.

Schedule of Debt Service Requirements

Years Ending Dec. 31:	Principal	Interest	Total	Cumulative % Principal
2018 ⁽¹⁾	1,815,000	408,006	2,223,006	14.96%
2019	1,700,000	331,181	2,031,181	28.97
2020	1,345,000	266,622	1,611,622	40.05
2021	1,350,000	215,766	1,565,766	51.17
2022	1,340,000	167,856	1,507,856	62.22
2023	1,040,000	134,366	1,174,366	70.79
2024	850,000	107,613	957,613	77.79
2025	425,000	86,050	511,050	81.29
2026	450,000	71,644	521,644	85.00
2027	460,000	56,025	516,025	88.79
2028	460,000	39,975	499,975	92.58
2029	315,000	26,100	341,100	95.18
2030	315,000	14,400	329,400	97.78
2031	90,000	7,144	97,144	98.52
2032	90,000	4,331	94,331	99.26
2033	90,000	1,463	91,463	100.00
Total	<u>\$ 12,135,000</u>	<u>\$1,938,542</u>	<u>\$ 14,073,542</u>	

(1) As of January 16, 2018, the Town has paid \$650,000 in principal and \$96,391 interest on serial bonds due in 2018.

ECONOMIC AND DEMOGRAPHIC DATA

Population

	<u>Population</u>			<u>% Change</u>	
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2000-2010</u>	<u>2010-2016</u>
Town	17,491	17,569	17,954	0.4%	2.2%
County	923,459	949,113	969,229	2.8	2.1
State	18,976,457	19,378,102	19,697,457	2.1	1.6

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

Income

Per Capita Money Income

	<u>2010</u>	<u>2016</u>	<u>% Change</u>
Town	\$93,183	\$93,095	(0.1)%
County	47,814	49,938	4.4
State	30,948	34,212	10.5

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

Median Income of Families

2016

	<u>Median Income</u>	<u>Income Groups - % of Families</u>				
		<u>Under \$25,000</u>	<u>\$25,000 -49,999</u>	<u>\$50,000 -74,999</u>	<u>\$75,000 -99,999</u>	<u>\$100,000 Or More</u>
Town	\$216,857	3.1%	3.6%	2.7%	5.4%	85.2%
County	110,543	9.4	13.5	12.0	10.4	54.7
State	74,036	15.5	18.6	16.5	13.2	36.2

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

Employment

The information set forth below with respect to the County is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County is necessarily representative of the Town, or vice versa.

Average Employed Civilian Labor Force

2000 - 2016

	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2016</u>
Town	19,600	20,000	20,700	2.0%	3.5%
County	445,400	443,500	459,000	(0.4)	3.5
State	8,718,700	8,769,700	9,121,300	0.6	4.0

Source: New York State Department of Labor

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Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2012	7.3%	8.5%	8.1%
2013	6.3	7.7	7.4
2014	5.1	6.3	6.2
2015	4.6	5.3	5.3
2016	4.2	4.8	4.9
2017: ⁽¹⁾			
Jan	4.5	4.9	5.1
Feb	4.8	5.0	4.9
Mar	4.1	4.4	4.6
Apr	4.1	4.2	4.1
May	4.1	4.3	4.1
Jun	4.5	4.5	4.5
Jul	4.6	4.9	4.6
Aug	4.6	4.9	4.5
Sep	4.5	4.7	4.1
Oct	4.4	4.6	3.9
Nov	4.6	4.5	3.9

(1) Monthly Rates.

Source: New York State Labor Department and U.S. Bureau of Labor Statistics.

Major Private Sector Employers in the County

<u>Name Of Business</u>	<u>Nature Of Business</u>
IBM Corp.	Computer hardware and software
PepsiCo Inc.	Soft drinks and snack foods
Consolidated Edison Inc.	Utility Services
MasterCard	Credit card services
ITT Corp.	Water and fluid management
Westchester Medical Center	Hospital and health care services
Regeneron Pharmaceuticals Inc.	Pharmaceuticals
New York Medical College	Medical college and research
Pace University	Private co-educational university
White Plains Hospital	Hospital and health care services
St. John's Riverside Hospital	Hospital and health care services

Source: The 2016 Comprehensive Annual Financial Report of Westchester County. Info was compiled by the Westchester Business Journal as of April 2017.

Financial Institutions

Numerous banking facilities are available in the Town and adjacent areas. Many of the State's major commercial banks have branch offices located in the area. Bank of America, N.A., Citibank N.A., J.P. Morgan Chase Bank and Wachovia Bank, N.A. are all located within the Town.

Transportation

The Town is served by all major forms of transportation. Highway facilities include U.S. Interstate 684, the Saw Mill River Parkway and Taconic Parkway (generally limited to passenger vehicles). Rail and bus service are provided by the Harlem Division of the Metropolitan Transportation Authority and the County Bus Line. The County Airport as

well as the New York City airports (LaGuardia, Kennedy and Newark Airports) are easily accessible to residents of the Town and provide domestic and international air service on a regular basis.

Utilities

The Consolidated Edison Company and Verizon provide the Town's basic utilities. In addition, the Town operates a water system and through a state of the art filtration plant provides potable water that meets all Federal standards. Certain areas of the Town are serviced by sewer collection systems funded by user assessments. The effluent from the Town sewer systems are treated at County sewage treatment plants. Approximately one-third of the Town is served by a lighting district that provides street lighting paid for by special assessments.

Housing Data

**Housing Stock
2000 - 2016**

	Number of Units			% Change	
	2000	2010	2016	2000-2010	2010-2016
Town	5,843	6,037	6,178	3.3%	2.3%
County	349,445	370,821	369,925	6.1	(0.2)
State	7,679,307	8,108,103	8,191,568	5.6	1.0

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

**Median Housing Values and Rents
2016**

	% Constructed 2010-2016	Median Value	Median Rents	Occupancy Status		
		Owner Occupied Units	Renter Occupied Units	Owner Occupied	Renter Occupied	Vacant
Town	0.8%	\$895,900	\$1,918	86.5%	7.1%	6.4%
County	0.8	507,300	1,394	56.8	35.6	7.6
State	1.3	286,300	1,159	47.5	41.2	11.3

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

Economic Development

The Town of New Castle is one of the most attractive suburban communities in the region. More than any other single feature of the landscape, the Town's character is principally defined by the quality of its residential environments. Its attractive residential areas, amounting to 51% of the town's land area, are among its greatest assets, maintained and enhanced largely by a matter of deliberate community policy. To that end, the Town is home to one of the highest ranked school districts across the nation. This has enabled the town residential property to maintain a constant state of occupancy and has continued to promote additional residential development and redevelopment throughout the community as represented by the consistent site plan, subdivision and building permit applications that are reviewed by the Town.

Given the residential nature of the Town, most development activities have been devoted primarily to the construction of shopping facilities, new office space and condominiums. Extrapolated from the Town's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016, the following sections discuss significant development projects currently under construction or in the planning stages.

Saw Mill River Valley Sanitary Sewer Expansion Project - Diversion. This project will connect 373 households from the Riverwoods, Random Farms, and Yeshiva communities with the Westchester County sanitary sewer system. As determined by the New York City Department of Environmental Protection ("NYCDEP"), the wastewater

treatment plants serving these communities require significant upgrades in order to comply with the 1998 Watershed Rules and Regulations. The repairs required to bring the treatment plants into compliance proved to be extremely costly. As an alternative, the Town began research on the expansion of the Westchester County sanitary sewer, which proved to be far more cost effective. In 2012 the Town began design work on the diversion project and to date 95% of the design has been completed. Seeking creative ways to close a projected \$10 million dollar shortfall in funding, the Town proposed to split the project into two separate diversion projects: Riverwoods and Yeshiva diverting through Mount Kisco as one, and Random Farms taking the original diversion route as the other. This novel approach saved \$6 million dollars in construction costs and is helping to move the project closer to a reality.

Chappaqua Hamlet Improvements. In the works for the last several years, the Chappaqua Hamlet Improvement Project was put on hold to allow business owners time to recover from the multi-year bridge construction project. With the bridge construction completed, plans are now going forward for these much-needed improvements. The project has been segmented into six areas within the hamlet, and will focus on both infrastructure and streetscape improvements. The Town has engaged WSP-Sells Engineering for this project, and design work is at 90%. Currently the Town is awaiting New York State Department of Transportation ("NYSDOT") approval for modifications to traffic patterns in the Hamlet. This project will be completed in several phases, with construction to be finished in 2017-2018. It is anticipated that this project will be funded through a variety of sources to include, operating funds, fund balance and bonded debt.

Comprehensive Plan Revision. The Town launched its Comprehensive Plan project to update its Master Plan which was over 25 years old. The Master Plan is a snapshot of current conditions in the Town and a blueprint for future development and preservation.

During 2014, the Town contracted with the Pace Land Use Center to help facilitate the initial public outreach portion of the update procedure. That Spring, the Town held seven public outreach sessions to encourage public participation and gather public input as to the priority issues, assets and challenges facing the Town in relation to its land use pattern. Each of these meetings was facilitated by a team of professionals from PACE University School of Law Land Use Law Center.

On June 21, 2017, the Comprehensive Plan was adopted by the Town Board. Full copies of the Plan may be obtained by visiting the Towns official website or by request of the Town or its Municipal Advisor.

END OF APPENDIX A

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APPENDIX B

**UNAUDITED SUMMARY OF
FINANCIAL STATEMENTS AND BUDGETS**

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TOWN OF NEW CASTLE
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ASSETS					
Cash	\$ 11,813,599	\$ 18,301,606	\$ 17,563,454	\$ 19,517,023	\$ 12,244,448
Investments	0	0	0	0	0
Taxes Receivables (Net)	40,810,870	37,544,476	40,835,214	41,266,540	49,247,274
Other Receivables:					
Accounts	139,850	129,649	153,408	157,112	214,397
Due From Other Governments	620,877	662,158	648,594	655,030	687,953
Due From Other Funds	473,684	708,566	708,566	733,210	733,204
Prepaid Expenditures	1,118,042	1,432,009	1,132,810	883,671	667,998
 Total Assets	 <u>\$ 54,976,922</u>	 <u>\$ 58,778,464</u>	 <u>\$ 61,042,046</u>	 <u>\$ 63,212,586</u>	 <u>\$ 63,795,274</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 442,297	\$ 479,438	\$ 531,696	\$ 319,493	\$ 237,505
Accrued Interest Payable	0	0	0	0	0
Due To School Districts	49,697,241	51,141,889	52,102,087	53,282,049	52,890,357
Bond Interest and	0	0	0	0	0
Due To Other Funds	0	0	0	599,972	599,972
Deferred Revenues	192,348	150,957	67,145	162,712	190,610
 Total Liabilities	 <u>50,331,886</u>	 <u>51,772,284</u>	 <u>52,700,928</u>	 <u>54,364,226</u>	 <u>53,918,444</u>
Fund Balance:					
Nonspendable	2,697,390	2,319,142	2,088,185	1,819,554	1,424,187
Restricted	503,235	736,874	664,244	591,375	518,420
Assigned	64,395	37,140	99,745	181,823	140,035
Unassigned	1,380,016	3,913,024	5,488,944	6,255,608	7,794,188
 Total Fund Balance	 4,645,036	 7,006,180	 8,341,118	 8,848,360	 9,876,830
 Total Liabilities and Fund Balance	 <u>\$ 54,976,922</u>	 <u>\$ 58,778,464</u>	 <u>\$ 61,042,046</u>	 <u>\$ 63,212,586</u>	 <u>\$ 63,795,274</u>

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

YEARS ENDED DECEMBER 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUES:					
Real Property Taxes	\$ 11,015,733	\$ 11,629,025	\$ 11,868,536	\$ 11,473,809	\$ 11,377,357
Other Tax Items	409,950	626,249	606,217	366,056	356,406
Non-Property Tax	2,317,890	2,471,394	2,558,206	2,533,649	2,565,314
Departmental Income	2,338,437	2,582,256	2,420,388	2,824,434	2,898,572
Use Of Money And Property	26,185	28,443	35,991	29,522	24,686
Licenses and Permits	588,078	1,125,489	739,977	1,170,151	1,349,219
Fines and Forfeitures	179,438	200,521	225,572	297,563	359,848
Sale Of Property And Compensation For Loss	24,900	12,265	3,100	61,527	13,116
State Aid	1,075,512	1,335,584	1,123,403	1,392,629	1,368,646
Federal Aid	27,180	59,605	57,931	323	6,976
Miscellaneous	243,260	214,229	252,979	176,645	360,825
Total Revenues	<u>18,246,563</u>	<u>20,285,060</u>	<u>19,892,300</u>	<u>20,326,308</u>	<u>20,680,965</u>
EXPENDITURES:					
Current:					
General Government Support	\$ 4,242,616	\$ 3,962,254	\$ 3,759,262	\$ 4,347,357	\$ 4,159,770
Public Safety	4,971,477	5,084,866	5,133,277	5,215,141	5,827,263
Health	0	0	0	0	4,068
Transportation	144,660	143,416	176,109	158,712	144,233
Culture And Recreation	1,938,796	1,818,585	1,771,903	1,778,908	2,023,813
Home And Community	1,671,157	712,590	817,236	873,866	749,475
Employee Benefits	5,397,632	5,871,148	6,067,914	6,079,837	5,862,692
Debt Service	1,237,211	1,229,465	1,467,902	1,440,868	1,446,423
Total Expenditures	<u>19,603,549</u>	<u>18,822,324</u>	<u>19,193,603</u>	<u>19,894,689</u>	<u>20,217,737</u>
Net Change in Fund Balance	(1,356,986)	1,462,736	698,697	431,619	463,228
OTHER FINANCING SOURCES (USES):					
Insurance Recoveries	78,201	25,713	16,423	10,430	25,049
Insurance Premium	0	234,882	0	0	
Transfers - In	690,953	689,663	717,043	717,043	717,043
Transfers - Out	(51,850)	(51,850)	(97,225)	(651,850)	(176,850)
Total Other Financing Sources (Uses)	<u>717,304</u>	<u>898,408</u>	<u>636,241</u>	<u>75,623</u>	<u>565,242</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(639,682)	2,361,144	1,334,938	507,242	1,028,470
Fund Balance - Beginning of Year	4,180,957	3,541,275	5,902,419	7,237,357	7,744,599
Fund Balance - End of Year	<u>\$ 3,541,275</u>	<u>\$ 5,902,419</u>	<u>\$ 7,237,357</u>	<u>\$ 7,744,599</u>	<u>\$ 8,773,069</u>

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**TOWN OF NEW CASTLE
HIGHWAY FUND
BALANCE SHEET
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2012	2013	2014	2015	2016
ASSETS					
Cash	\$ 968,376	\$ 894,140	\$ 882,686	\$ 42,390	\$ 418,873
Receivables:					
Accounts	3,620	20,483	1,954	4,018	539
State and Federal Aid	186,704	0	0	0	
Due From Other Funds	200,305	252,288	252,288	852,260	852,288
Prepaid Expenditures	174,472	254,067	193,005	129,377	88,377
Inventories	9,262	17,042	13,418	14,217	12,434
 Total Assets	\$ 1,542,739	\$ 1,438,020	\$ 1,343,351	\$ 1,042,262	\$ 1,372,511
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 235,860	\$ 156,284	\$ 142,631	\$ 73,983	\$ 255,783
Unearned Revenue	33,801	10,153	0	0	0
Unearned Revenue	0	0	0	0	0
Due to Other Funds	0	0	0	0	23
 Total Liabilities	269,661	166,437	142,631	73,983	255,806
 Fund Balances:					
Nonspendable	183,734	271,109	206,423	143,594	100,811
Restricted	155,190	207,560	168,079	128,499	128,820
Assigned	934,154	792,914	826,218	696,186	887,074
 Total Fund Balance	1,273,078	1,271,583	1,200,720	968,279	1,116,705
 Total Liabilities and Fund Bala	\$ 1,542,739	\$ 1,438,020	\$ 1,343,351	\$ 1,042,262	\$ 1,372,511

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TOWN OF NEW CASTLE
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

YEARS ENDED DECEMBER 31:

	2012	2013	2014	2015	2016
REVENUES:					
Real Property Taxes	\$ 3,164,708	\$ 3,037,076	\$ 3,240,534	\$ 3,667,813	\$ 3,785,940
Departmental Income	28,640	28,640	14,320	0	0
Use Of Money And Property	5,272	4,197	5,453	5,511	4,951
Sale Of Property And					
Compensation For Loss	11,895	60,986	12,636	7,600	64,972
State Aid	453,214	196,153	428,566	475,753	338,975
Federal Aid	145,159	210,888	376,991	2,101	30,199
Miscellaneous	0	51,982	0	0	940
 Total Revenues	 3,808,888	 3,589,922	 4,078,500	 4,158,778	 4,225,977
EXPENDITURES:					
Current:					
General Government Support	\$ 3,634	\$ 3,905	\$ 4,839	\$ 5,537	\$ 4,973
Transportation	2,416,933	2,375,606	2,897,969	3,883,569	3,175,811
Home And Community	2,590	797	0	0	0
Employee Benefits	1,096,660	1,211,406	1,231,140	1,257,795	1,071,768
Debt Service	798,366	475,901	499,830	334,108	339,789
 Total Expenditures	 4,318,183	 4,067,615	 4,633,778	 5,481,009	 4,592,341
 Deficiency of Revenues Over Expenditures	 (509,295)	 (477,693)	 (555,278)	 (1,322,231)	 (366,364)
OTHER FINANCING SOURCES (USES):					
Transfers - In	462,759	493,198	506,790	1,106,790	531,790
Transfers - Out	(17,000)	(17,000)	(22,375)	(17,000)	(17,000)
 Total Other Financing Sources	 445,759	 476,198	 484,415	 1,089,790	 514,790
 Net Change in Fund Balance	 (63,536)	 (1,495)	 (70,863)	 (232,441)	 148,426
Fund Balance - Beginning of Year	1,336,614	1,273,078	1,271,583	1,200,720	968,279
Change in Accounting Principle	0	0	0	0	0
 Fund Balance - End of Year	 \$ 1,273,078	 \$ 1,271,583	 \$ 1,200,720	 \$ 968,279	 \$ 1,116,705

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TOWN OF NEW CASTLE
WATER DISTRICT FUNDS (a)
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2012	2013	2014	2015	2016
ASSETS					
Cash	\$ 7,255,164	\$ 6,346,258	\$ 6,119,651	\$ 6,499,992	\$ 6,309,367
Receivables:					
Accounts	1,050,800	971,030	922,735	1,038,431	1,192,072
Due from Other Governments	0	0	93,930	0	389
Due From Other Funds	1,119	47,621	47,621	47,621	47,621
Prepaid Expenditures	69,234	100,635	87,020	67,096	45,295
 Total Assets	\$ 8,376,317	\$ 7,465,544	\$ 7,270,957	\$ 7,653,140	\$ 7,594,744
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 569,716	\$ 407,626	\$ 422,422	\$ 410,056	\$ 451,778
Accrued Liabilities	0	5,719	14,640	0	1,316
Due To Other Governments	102,711	0	0	0	0
Due To Other Funds	0	0	0	0	0
 Total Liabilities	672,427	413,345	437,062	410,056	453,094
 Fund Balance:					
Nonspendable	69,234	100,635	87,020	67,096	45,295
Restricted	1,618	49,239	49,358	49,358	49,358
Assigned	7,633,038	6,902,325	6,697,517	7,126,630	7,046,997
 Total Fund Balance	7,703,890	7,052,199	6,833,895	7,243,084	7,141,650
 Total Liabilities and Fund Bal	\$ 8,376,317	\$ 7,465,544	\$ 7,270,957	\$ 7,653,140	\$ 7,594,744

(a) Presentation includes Water District #1, Two Castles Water District, Birch Drive Water District and High Ridge Water District.

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TOWN OF NEW CASTLE
WATER DISTRICT FUNDS (a)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

YEARS ENDED DECEMBER 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUES:					
Real Property Taxes	\$ 1,015,765	\$ 1,013,961	\$ 1,030,937	\$ 1,019,425	\$ 1,019,425
Departmental Income	6,496,407	6,527,695	6,557,785	7,121,435	7,204,539
Use Of Money And Property	5,813	480	16,243	10,324	8,439
Miscellaneous	0	47,841	14,130	15,445	3,432
State Aid					21,749
Federal Aid					65,247
Total Revenues	<u>7,517,985</u>	<u>7,589,977</u>	<u>7,619,095</u>	<u>8,166,629</u>	<u>8,322,831</u>
EXPENDITURES:					
Current:					
Home and Community Services	4,859,258	5,419,226	5,998,707	5,975,116	5,937,624
Employee Benefits	448,093	482,692	536,137	472,191	425,605
Debt Service	1,462,184	663,903	685,674	698,627	649,530
Total Expenditures	<u>6,769,535</u>	<u>6,565,821</u>	<u>7,220,518</u>	<u>7,145,934</u>	<u>7,012,759</u>
Excess of Revenues Over Expenditures	748,450	1,024,156	398,577	1,020,695	1,310,072
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	191,574	195,405	212,963	207,500	207,500
Operating Transfers - Out	(1,770,879)	(1,871,252)	(829,844)	(819,006)	(1,619,006)
Total Other Financing Uses	<u>(1,579,305)</u>	<u>(1,675,847)</u>	<u>(616,881)</u>	<u>(611,506)</u>	<u>(1,411,506)</u>
Net Change in Fund Balance	(830,855)	(651,691)	(218,304)	409,189	(101,434)
Fund Balance - Beginning of Year	8,338,113	7,507,258	6,855,567	6,637,263	7,046,452
Fund Balance - End of Year	<u>\$ 7,507,258</u>	<u>\$ 6,855,567</u>	<u>\$ 6,637,263</u>	<u>\$ 7,046,452</u>	<u>\$ 6,945,018</u>

(a) Presentation includes Water District #1, Two Castles Water District and Birch Drive Water District.

The financial data presented on this page has been excerpted from the audited financial statements of the Town.

Such presentation, however, has not been audited. Complete copies of the Town's audited financial statements are available upon request to the Town.

TOWN OF NEW CASTLE
SUMMARY OF BUDGET
YEAR ENDING DECEMBER 31, 2017

	General Fund	Highway Fund	Water Districts (a)	Refuse District	Enhanced Ambulance District	Northern Fire Prot. District	Consolidated Lighting District	New Castle Parking District	Sewer District (b)	Drainage Districts	Combined Totals
ESTIMATED REVENUES:											
Real Property Taxes	\$ 11,908,107	3,822,093	1,019,425	2,460,924	365,639	590,953	100,000	97,875	236,865	69,234	\$ 20,671,115
Real Property Taxes Items	367,000	0	0	0	0	0	0	0	0	0	367,000
Non-Property Tax Items	2,450,000	0	0	0	0	0	0	0	0	0	2,450,000
Departmental Income	2,264,750	0	6,924,607	188,620	0	0	0	0	0	0	9,377,977
Inter Governmental Charges	0	0	0	0	0	0	0	0	0	0	0
Use Of Money And Property	49,000	8,500	6,800	4,000	0	0	0	0	0	0	68,300
Licenses And Permits	887,500	0	0	0	0	0	0	0	0	0	887,500
Fines And Forfeitures	285,000	0	0	0	0	0	0	0	0	0	285,000
Sale Of Property And Compensation For Loss	475,000	0	0	0	0	0	0	0	0	0	475,000
Interfund Revenues	730,241	532,499	207,500	69,041	0	0	0	0	0	0	1,539,281
State Aid	1,048,971	222,452	0	0	0	0	0	0	0	0	1,271,423
County Aid	27,668	60,000	0	0	0	0	0	0	0	0	87,668
Filtration Plant	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	182,500	54,000	778,535	2,936	0	10,000	15,000	0	40,000	15,000	1,097,971
Total Estimated Revenues	20,675,737	4,699,544	8,936,867	2,725,521	365,639	600,953	115,000	97,875	276,865	84,234	38,578,235
		0									
APPROPRIATIONS:											
Current:											
General Government Support	4,772,926	0	0	0	0	0	0	0	0	0	4,772,926
Public Safety	5,573,034	0	0	0	0	556,644	0	0	0	0	6,129,678
Health	0	0	0	0	365,639	0	0	0	0	0	365,639
Transportation	164,725	3,224,265	0	0	0	0	115,000	8,000	0	0	3,511,990
Economic Assistance And Opportunity	0	0	0	0	0	0	0	0	0	0	0
Culture And Recreation	1,872,435	0	0	0	0	0	0	0	0	0	1,872,435
Home And Community Services	566,618	5,000	7,376,983	2,102,712	0	0	0	0	95,200	0	10,146,513
Employee Benefits	6,276,706	1,121,814	474,121	226,904	0	0	0	0	0	0	8,099,545
Debt Service	1,272,443	331,465	488,287	61,622	0	0	0	39,875	24,281	84,234	2,302,207
Total Appropriations	20,498,887	4,682,544	8,339,391	2,391,238	365,639	556,644	115,000	47,875	119,481	84,234	37,200,933
Excess (Deficiency) Of Estimated Revenues Over Appropriations	176,850	17,000	597,476	334,283	0	44,309	0	50,000	157,384	0	1,377,302
OTHER FINANCING SOURCES (USES):											
Operating Transfers - In	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers - Out	(176,850)	(17,000)	(597,476)	(334,283)	0	(44,309)	0	(50,000)	(157,384)	0	(1,377,302)
Total Other Financing Sources (Uses)	(176,850)	(17,000)	(597,476)	(334,283)	0	(44,309)	0	(50,000)	(157,384)	0	(1,377,302)
Excess (Deficiency) of Estimated Revenues and Other Financing Sources Over Appropriations and Other Financing Uses	0	0	0	0	0	0	0	0	0	0	0
APPROPRIATED FUND BALANCES	0	0	0	0	0	0	0	0	0	0	0

(a) Budget data includes Consolidated Water District, Two Castles District, Birch Drive Water District, and High Ridge.

(b) Budget data includes Sewer Maintenance District #1, #2 and #3; Sewer Maintenance District #2 Extension; Pines Bridges Sewer District, King Greeley Sewer District and Brevoort Road Sewer District.

(c) County Sales Tax Distribution.

TOWN OF NEW CASTLE
SUMMARY OF BUDGET
YEAR ENDING DECEMBER 31, 2018

	General Fund	Highway Fund	Water Districts (a)	Refuse District	Enhanced Ambulance District	Northern Fire Prot. District	Consolidated Lighting District	New Castle Parking District	King Street Sidewalk District	Sewer District (b)	Drainage Districts	Combined Totals
ESTIMATED REVENUES:												
Real Property Taxes	\$ 11,813,881	4,163,510	1,019,425	2,454,758	357,274	582,510	100,000	101,000	30,000	180,798	66,684	\$ 20,869,840
Real Property Taxes Items	366,000	0	0	0	0	0	0	0	0	0	0	366,000
Non-Property Tax Items	2,500,000	0	0	0	0	0	0	0	0	0	0	2,500,000
Departmental Income	2,378,680	0	7,053,608	193,362	0	0	0	0	0	55,318	0	9,680,968
Inter Governmental Charges	0	0	0	0	0	0	0	0	0	0	0	0
Use Of Money And Property	47,500	8,000	7,100	10,082	0	0	0	0	0	0	0	72,682
Licenses And Permits	880,000	0	0	0	0	0	0	0	0	0	0	880,000
Fines And Forfeitures	315,000	0	0	0	0	0	0	0	0	0	0	315,000
Sale Of Property And Compensation For Loss	511,024	0	0	0	0	0	0	0	0	0	0	511,024
Interfund Revenues	727,241	532,499	207,500	66,035	0	0	0	0	0	0	0	1,533,275
State Aid	1,073,971	222,452	0	0	0	0	0	0	0	0	0	1,296,423
County Aid	27,668	60,000	0	0	0	0	0	0	0	0	0	87,668
Filtration Plant	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	169,500	48,000	778,535	40,385	0	10,000	15,000	0	0	42,590	5,000	1,109,010
Total Estimated Revenues	20,810,465	5,034,461	9,066,168	2,764,622	357,274	592,510	115,000	101,000	30,000	278,706	71,684	39,221,890
APPROPRIATIONS:												
Current:												
General Government Support	4,911,940	0	0	0	0	0	0	0	0	0	0	4,911,940
Public Safety	5,177,478	0	0	0	0	548,201	0	0	0	0	0	5,725,679
Health	0	0	0	0	357,274	0	0	0	0	0	0	357,274
Transportation	182,977	3,519,838	0	0	0	0	115,000	8,000	10,000	0	0	3,835,815
Economic Assistance And Opportunity	0	0	0	0	0	0	0	0	0	0	0	0
Culture And Recreation	2,144,519	0	0	0	0	0	0	0	0	0	0	2,144,519
Home And Community Services	573,642	5,000	7,462,290	2,107,078	0	0	0	0	0	97,790	0	10,245,800
Employee Benefits	6,419,093	1,172,365	526,452	267,642	0	0	0	0	0	0	0	8,385,552
Debt Service	1,223,966	320,258	479,950	60,625	0	0	0	43,000	0	23,532	71,684	2,223,015
Total Appropriations	20,633,615	5,017,461	8,468,692	2,435,345	357,274	548,201	115,000	51,000	10,000	121,322	71,684	37,829,594
Excess (Deficiency) Of Estimated Revenues Over Appropriations	176,850	17,000	597,476	329,277	0	44,309	0	50,000	20,000	157,384	0	1,392,296
OTHER FINANCING SOURCES (USES):												
Operating Transfers - In	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers - Out	(176,850)	(17,000)	(597,476)	(329,277)	0	(44,309)	0	(50,000)	(20,000)	(157,384)	0	(1,392,296)
Total Other Financing Sources (Uses)	(176,850)	(17,000)	(597,476)	(329,277)	0	(44,309)	0	(50,000)	(20,000)	(157,384)	0	(1,392,296)
Excess (Deficiency) of Estimated Revenues and Other Financing Sources Over Appropriations and Other Financing Uses	0	0	0	0	0	0	0	0	0	0	0	0
APPROPRIATED FUND BALANCE	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(a) Budget data includes Consolidated Water District, Two Castles District, and High Ridge.

(b) Budget data includes Sewer Maintenance District #1, #2 and #3; Sewer Maintenance District #2 Extension; Pines Bridges Sewer District, King Greeley Sewer District and Brevoort Road Sewer District.

(c) County Sales Tax Distribution.

APPENDIX C

**LINK TO
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

**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/ER1067100-ER835847-ER1236739.pdf>

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

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

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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FORM OF BOND COUNSEL'S OPINION

February 20, 2018

Town of New Castle,
County of Westchester,
State of New York

Re: Town of New Castle,
Westchester County, New York
\$17,091,130 Public Improvement (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$17,091,130 Public Improvement (Serial) Bonds, 2018 (the "Obligations") of the Town of New Castle, Westchester County, New York (the "Obligor"), dated February 20, 2018, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ and ____ hundredths per centum (____%) per annum payable on February 1, 2018 and semi-annually thereafter on August 1 and February 1 and maturing in the amount of:

\$ _____ on February 1, 2019, \$ _____ on February 1, 2020, \$ _____ on February 1, 2021,
\$ _____ on February 1, 2022, \$ _____ on February 1, 2023, \$ _____ on February 1, 2024,
\$ _____ on February 1, 2025, \$ _____ on February 1, 2026, \$ _____ on February 1, 2027,
\$ _____ on February 1, 2028, \$ _____ on February 1, 2029, \$ _____ on February 1, 2030,
\$ _____ on February 1, 2031, \$ _____ on February 1, 2032, \$ _____ on February 1, 2033,
\$ _____ on February 1, 2034, \$ _____ on February 1, 2035, \$ _____ on February 1, 2036,
\$ _____ on February 1, 2037, \$ _____ on February 1, 2038, \$ _____ on February 1, 2039,
\$ _____ on February 1, 2040, \$ _____ on February 1, 2041, \$ _____ on February 1, 2042,
\$ _____ on February 1, 2043, \$ _____ on February 1, 2044, \$ _____ on February 1, 2045,
\$ _____ on February 1, 2046, \$ _____ on February 1, 2047, \$ _____ on February 1, 2048

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

We have examined:

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

compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have (i) assumed 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, subject to applicable statutory limitations; 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 alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

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

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

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

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

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

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