

RENEWAL ISSUE**BOND ANTICIPATION NOTES**

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

The District WILL designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**CITY SCHOOL DISTRICT OF THE CITY OF RYE
WESTCHESTER COUNTY, NEW YORK**

\$1,427,654

**BOND ANTICIPATION NOTES, 2018 (RENEWALS)
(the "Notes")**

Date of Issue: July 5, 2018

Maturity Date: July 5, 2019

The Notes are general obligations of the City School District of the City of Rye, Westchester County, New York (the "District"). The District has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount. See "Nature of Obligation" and "Tax Levy Limitation Law" herein.

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

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

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in federal funds by the District to the registered owner(s). The successful bidder will act as or name the Paying Agent for the Notes, at their expense.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof except for one necessary odd denomination, which is or includes \$7,654. A single note certificate will be issued for those Notes of an issue bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein.)

The Notes are offered 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 District in connection with the issuance of the Notes. It is expected that delivery of the Notes in definitive form will be made on or about July 5, 2018.

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

June , 2018

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

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OFFICIAL STATEMENT

CITY SCHOOL DISTRICT OF THE CITY OF RYE WESTCHESTER COUNTY, NEW YORK

Relating To

\$1,427,654

BOND ANTICIPATION NOTES, 2018 (RENEWALS) (the “Notes”)

This Official Statement, which includes the cover page, inside cover page and appendices hereto, presents certain information relating to the City School District of the City of Rye, in the County of Westchester, in the State of New York (the “District”, “County” and “State,” respectively) in connection with the sale of \$1,427,654 Bond Anticipation Notes, 2018 (Renewals) (the “Notes”).

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

THE NOTES

Description

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

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

The Notes will be issued in registered form either registered in the name of the successful bidder(s) or registered to Cede & Co, as the partnership nominee for DTC. If the Notes are registered in the name of the successful bidder(s), the bidder will act as or name the Paying Agent for the Notes, which shall be at the expense of the bidder. The District contact information is as follows: Gabriella O’Connor, Assistant Superintendent for Business, 411 Theodore Fremd Avenue, Suite 100, South Lobby, Rye, NY 10580, (914) 967-6100 x6270, e-mail: oconnor.gabriella@ryeschools.org.

Authority for and Purpose of the Notes

The Notes are issued pursuant to the State Constitution and statutes of the State, including among others, the Education Law and the Local Finance Law, and a bond resolution adopted by the Board of Education of the District on April 5, 2016, authorizing the issuance of \$1,800,000 of bonds by the District to finance the replacement of the furnace at the Osborn Elementary School. Proceeds from the sale of the Notes together with \$372,346 in available funds will be used to redeem the District’s \$1,800,000 Bond Anticipation Notes, 2017 (Renewals) due to mature on July 6, 2018.

Book-Entry-Only System

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

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

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

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in “street name,” and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company

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

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

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

NATURE OF OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Levy Limitation Law

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

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

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

for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

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

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

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

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. The suit alleged that the Tax Levy Limitation Law arbitrarily caps property tax levy increases and perpetuates funding inequities between affluent and low-wealth school districts. The suit further alleged that the tax cap unconstitutionally limits the ability of school districts and their taxpayers to address these inequities by exercising substantial local control. Among seven causes of action, the suit also alleges that the Tax Levy Limitation Law unconstitutionally interferes with fundamental voting rights in violation of the principle of "one person, one vote." On May 5, 2016 the Appellate Division upheld a lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". NYSUT then appealed to the Court of Appeals. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals. See also "State Aid" for a discussion of the *New Yorkers for Students' Educational Rights v. State of New York* case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill, includes provisions which provide 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 are 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 are 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 depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School district budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include 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 are indirectly affected by applicability to their respective city) and independent special districts.

Eligible homeowners do not need to do anything to receive the credit. The State tax department will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. In the fall of each of the program's three years (2014,

2015, 2016), the department will mail eligible taxpayers a single check that will be the total of the credits for each jurisdiction that is in compliance.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “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 must 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 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

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. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

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

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district’s contribution to the State teachers retirement system, and (b) the principal of and interest on such notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and

interest on notes shall be forwarded promptly to the paying agent or agents for the notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such notes. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted notes pursuant to said Section 99-b.

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

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

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

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

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

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

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or

by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims against the municipality, including payment of debt service on outstanding indebtedness.

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

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

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

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

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

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

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a

certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

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

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

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

School districts and fire districts are not eligible for FRB assistance.

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

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

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

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

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

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

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

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

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

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

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

The School District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the School District operations and/or damage from cyber incidents or cyber-attacks, the School District has invested in cybersecurity and other operational controls. While the School District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and

THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM

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

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

The reports of the State Comptroller for the past three fiscal years of the District are as follows:

<u>Fiscal Year Ending in</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2017	No designation	6.7%
2016	No designation	6.7%
2015	No designation	13.3%

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein.

In addition, the District is subject to periodic audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. For audit year 2016 the State Comptroller released a report with findings related to procedures to accurately verifying and recording of paid salaries, wages and leave accruals.

See the State Comptroller’s official website for more information on FSMS and local government audits. Reference to this website implies no warranty of accuracy of information therein.

LITIGATION

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

Avon v. City of Rye:

A property owner has filed tax certiorari proceedings challenging the 2014, 2015, 2016 and 2017 tax assessments on its property. If the property owner is successful in establishing the values claimed in the Petitions, the District would be obligated to refund property taxes in excess of \$1,090,000. A refund in that amount is believed to be unlikely. The parties are currently discussing settlement proposals in which the District’s total refund for all four years would be between \$225,000 and \$428,000. It is currently anticipated that any payment made by the District would be paid from District fund balance or tax certiorari reserves. It is also not possible, however, to determine the settled liability at this time.

S.K.

The Parents of a student with a disability have filed an impartial hearing challenging the Student’s individualized educational program. The parents are seeking tuition reimbursement for a privately obtained educational program and treatment facility in the amount of \$234,000. If the parents are successful in pursuing their claim, they would also be entitled to attorneys’ fees which could be an additional \$100,000. The parents have proposed a settlement to resolve the claim in exchange for the payment of \$90,000.

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

TAX MATTERS

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

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

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

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

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

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

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

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

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

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

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

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

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

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

Other than the foregoing, the District is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12 during each of the past five years.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC has acted as Municipal Advisor to the District in connection with the sale of the Notes.

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

RATING

The District did not apply to Moody's Investors Service, Inc. ("Moody's") for a rating on the Notes.

Moody's currently rates the District's uninsured, outstanding bonded indebtedness at "Aaa" with no outlook. The rating does not apply to the Notes.

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

MISCELLANEOUS

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

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

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

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

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

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

ADDITIONAL INFORMATION

Additional information may be obtained from the District's Assistant Superintendent for Business, Ms. Gabriella O'Connor, (914) 967-6100 x6270 or from the District's Municipal Advisor, Capital Markets Advisors, LLC at (516) 570-0340.

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

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CITY SCHOOL DISTRICT OF THE CITY OF RYE

By: _____
Katy Keohane Glassberg
President of the Board of Education

DATED: June , 2018

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The District is located in the City of Rye (the “City”), Westchester County, New York, approximately 26 miles northeast of New York City. Its boundaries are conterminous with those of the City except for the section of the City known as Greenhaven, which is part of the neighboring Rye Neck Union Free School District. The present District was consolidated by an act of the New York Legislature, which became a law April 20, 1945, with July 1, 1945 as the effective date. The District has an estimated population of 14,840.

The City is primarily a residential community with the median value of owner-occupied homes among the highest in Westchester County, see “Comparative Housing and Income Data” below. Many residents are business executives or professionals who commute to New York City, Fairfield County, Connecticut or within Westchester County.

Transportation facilities include commuter rail service by Metro-North Commuter Railroad and highways including Interstate Highways 95 and 287, which provide connections to the other Westchester parkways and the New York State Thruway. Four U.S. trunk airlines provide regional interconnecting service to principal U.S. cities through Westchester County Airport, which is in close proximity to the District.

A very high level of interest in the educational system exists in the District. Its schools are consistently ranked in the top quartile of competitive Westchester County school districts. All three elementary schools and the middle school have been designated National Blue Ribbon Schools of Excellence. School Excellence Teams at all schools include administrators, faculty, parents, community residents, and students where applicable. An enthusiastic and committed group of volunteers works in the schools and on a number of ad hoc committees of the Board of Education. Cooperative programs among the schools and community organizations enrich classroom learning.

In the past several years, 97% to 98% of all graduates of Rye High School have continued their education, 92% at four-year colleges. Newsweek magazine continues to rank Rye High School in the top 50 high schools in the country (of about 22,500 high schools nationwide) for its extensive Advanced Placement course offerings and for the number of students enrolled in AP classes. Three-year or greater sequences in most subject areas are the norm for almost all students making them highly competitive for college placement. A model writing mentor program is available to high school students, all of whom also participate in a required school and community service program. A wide array of extracurricular activities is available to all students.

Middle school students learn through teacher teams in the core academic areas. An honors math and science course is available for eligible students in grades 7 and 8. Students are able to study more than one foreign language, including Mandarin.

The elementary school program stresses the mastery of language arts, reading, social studies, science, mathematics and critical thinking skills. Teaching of reading is a balanced approach between phonics and literature. Specific skills are included in journal and portfolio writing, and a math enrichment pull-out program is available for eligible students. Art, computer, music, library skills, and physical education are taught on all grade levels.

District Organization

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

The legislative power of the District is vested in the Board of Education, (the “Board”). Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board who are elected for a term of three years.

In early July of each year, the Board meets for the purposes of reorganization. At that time, the Board elects a President and Vice President, and appoints a District Clerk and District Treasurer.

The major administrative officers of the District, whose duty it is to implement the policies of the Board and who are appointed by the Board, include the following: Superintendent of Schools, Assistant Superintendent for Business, District Treasurer and District Clerk.

Financial Organization

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

Budgetary Procedure

Pursuant to the Education Law, the District's Board of Education generally prepares or causes to be prepared a budget for the ensuing fiscal year. The budget, effective for fiscal years beginning on or after July 1, 1998, must consist of three parts: program, administration and capital. During November and December the tentative budget is developed and refined in consultation with school administrators. At the March and April meetings of the Board of Education, the proposed budget is discussed and further refined. The tentative budget is adopted by the Board at its April meeting and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Residents of the District who are qualified to vote may participate in the referendum. Prior to the Annual Meeting a public hearing on the proposed budget is held.

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

On May 16, 2017, a majority of the qualified voters of the District voted to approve the District's proposed budget for the 2017/18 fiscal year, which was within the tax levy limit. On May 15, 2018, a majority of the qualified voters of the District voted to approve the District's proposed budget for the 2018/19 fiscal year, which was within the tax levy limit. Summaries of the District's Adopted Budgets for the 2017/18 and 2018/19 fiscal years may be found in Appendix B, herein.

School Enrollment Trends

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

<u>School Enrollment Trends</u>			
<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Actual</u> <u>Enrollment</u>	<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Projected</u> <u>Enrollment</u>
2014	3,303	2019	3,319
2015	3,344	2020	3,355
2016	3,374	2021	3,364
2017	3,467	2022	3,352
2018	3,382	2023	3,180

Source: District Officials.

District Facilities

The District operates six schools and one administration building. Statistics relating to each are shown below.

School Statistics

<u>Name</u>	<u>Capacity⁽¹⁾</u>	<u>Year Built/Rebuilt</u>
Rye High/Middle School	1,461	1930, '54, '64, '83, '92, '99, 2014
Midland Elementary School	891	1950, '78, '92, '95
Milton Elementary School	486	1890, '27, '66, '77, '94, '05
Osborn Elementary School	864	1956, '64, '89, '90, '97
Administration Building	47	1900, '66, '95

(1) Calculations per S.E.D. guidelines.

Source: District Officials

Employees

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

Employees

<u>Number of Employees</u>	<u>Employee Unit</u>	<u>Contract Expiration Date</u>
345	Rye Teachers Association	06/30/23
105	Rye City Schools Teachers' Aides/Teaching Assistants Unit	06/30/19
44	Rye Teachers Association (Secretarial/Clerical/School Nurse and Computer Aide Unit)	06/30/21
25	Rye City Schools Custodial Unit	06/30/20
15	Rye Administrators Association	06/30/22

The District also employs approximately 13 individuals that are not covered by any collective bargaining agreement.

Employee Pension Benefits

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

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. The Division of the Budget estimates the new tier will save the State and local governments outside of New York City \$80 billion over the next 30 years. The new pension tier has progressive contribution rates between 3% and 6%; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee’s pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

With regard to the ERS, a pension reform bill has been signed by the Governor into Law as Chapter 49 of the Laws of 2003. Chapter 49 changes the cycle of billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the new system the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. Chapter 49 requires the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. During its 2004 Session the New York State Legislature enacted further pension relief in the form of Chapter 260 of the Laws of 2004 (“Chapter 260”). Among other things, Chapter 260 changed the pension payment date for all local governments from December 15 to February 1.

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

The District has not amortized any portion of its pension contributions under this legislation.

Contribution rates for TRS and ERS for the last five fiscal years were as follows:

<u>Fiscal Year End 6/30</u>	<u>TRS Contribution Rate</u>	<u>ERS Contribution Rate</u>
2014	16.25%	20.90%
2015	17.53	20.10
2016	13.26	18.20
2017	11.72	15.50
2018	9.80	15.30

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 21 years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The District has opted not to amortize its pension contribution and expects to continue to pay all contributions in full.

The State Legislature previously passed legislation allowing employers to prepare for future ERS contributions increases by establishing a retirement contribution reserve fund. In the Spring of 2017, the State Assembly and Senate each proposed similar legislation to allow eligible participating employers of the TRS the option to establish a retirement contribution reserve sub-fund with respect to contributions for TRS. There can be no assurance as to if or when the State Legislature will pass the proposed legislation.

Other Post Employment Benefits

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

GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other 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”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. There is no legal mechanism available to fund this obligation. Actuarial valuation will be required every 2 years for the District.

The District is in compliance with the requirements of GASB 45. The District has determined that its actuarial accrued liability (“AAL”) for OPEB as of July 1, 2016 was \$75,627,752. For the year ended June 30, 2016, the District's ARC was \$5,958,502. For the year ended June 30, 2017, the District's ARC was \$6,453,123.

In April 2015, the State Comptroller announced legislation 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 allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, 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 district to transfer certain excess reserve balance to an OPEB trust once it is established.

Under the State Comptroller’s proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller’s proposed legislation will be reintroduce or enacted if introduced.

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

Investment Policy Permitted Investments

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

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

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments or investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or

inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in the custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The District policy does not permit the District to enter into reverse repurchase agreements or make other derivative type investments.

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

FINANCIAL FACTORS

Real Property Taxes

The District derives a major portion of its revenues from a tax on real property (see "Statement of Revenues, Expenditures and Changes in Fund Balance" in Appendix B, herein). Real property taxes accounted for 87.65 of total general fund revenues for the fiscal year ended June 30, 2017, while State aid accounted for 4.58%.

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

Fiscal Year <u>Ending June 30:</u>	<u>Total</u> <u>Revenues</u> ⁽¹⁾	<u>Real Property</u> <u>Taxes</u> ⁽²⁾	<u>Real Property</u> <u>Taxes to</u> <u>Revenues</u>
2013	\$71,242,943	\$62,393,342	87.58%
2014	74,931,405	65,667,374	87.64
2015	76,804,352	67,167,737	87.45
2016	82,074,264	72,024,570	87.76
2017	83,179,593	72,907,993	87.65
2018 (Adopted Budget)	86,930,075	77,527,711	89.18
2019 (Adopted Budget)	89,249,181	79,974,181	89.60

(1) General Fund.

(2) Inclusive of STAR aid payments.

Source: Audited Financial Statements, Adopted Budgets of the District. Table itself is not audited.

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State Aid

The District also receives State aid pursuant to formulas and payment schedules set forth by the State.

The following table sets forth total general fund revenues and State aid revenues during the last five audited fiscal years, and the amounts budgeted for the current and upcoming fiscal years.

Fiscal Year <u>Ending June 30:</u>	<u>State Aid</u>		State Aid to Revenues
	Total Revenues ⁽¹⁾	State Aid	
2013	\$71,242,943	\$2,857,014	4.01%
2014	74,931,405	2,993,530	4.00
2015	76,804,352	3,242,944	4.22
2016	82,184,603	2,991,633	3.95
2017	83,179,593	3,809,883	4.58
2018 (Adopted Budget)	86,930,075	3,642,813	4.19
2019 (Adopted Budget)	89,249,181	3,976,273	4.46

(1) General Fund.

Source: Audited Financial Statements, Adopted Budgets of the District. Table itself is not audited.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (see “STAR - School Tax Exemption”). The District has received timely STAR aid from the State for the current fiscal year and anticipates timely receipt for the next fiscal year.

Events Affecting New York School Districts

State aid to school districts in the State has declined in some recent years.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$1.0 billion in State aid for school districts.

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

The Smart Schools Bond Act (the “SSBA”) was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District has been awarded an allocation under the ACT to issue up to \$286,640 in bonds. The SSBA requires that a Review Board review and approve districts’ Smart Schools Investment Plan before any funds may be made available for the program.

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

School district fiscal year (2016-2017): The State Legislature adopted the State budget on March 31, 2016. The budget includes an increase of \$991 million in State aid for school districts over the 2015-16 budget, \$863 million of which consists of traditional operating aid. In addition to the \$408 million of expense based aid, the Governor’s budget includes a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment.

The majority of the remaining increase includes \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GGEA results in a reduction from the State aid originally due to the District under existing State aid formulas. The District's State aid has been reduced as a result of the GEA program each year since 2009. State budgets have decreased the amount of the GEA deduction and the Adopted Budget for the State's 2015-2016 fiscal year included a further reduction of the GEA. The Adopted Budget for the State's 2016-2017 fiscal year included a restoration of the aid previously cut by the GEA.

School district fiscal year (2017-2018): The 2017-18 State budget includes a school aid increase of \$961 million over 2016-17, \$845 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$335 million), the budget also includes a \$428 million increase in foundation aid, and a \$50 million increase for the Community Schools set-aside. Important initiatives from prior years are also sustained, including \$340 million to continue the Statewide Universal Full-Day Prekindergarten Program and the \$2 billion Smart Schools Bond Act. Further information may be obtained at the official website of the New York State Division of Budget and the New York State Education Department.

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

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonable determined. State legislative reforms in the wake of *The Campaign for Fiscal Equity* decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights ("NYSER") v. State of New York* and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic

education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent “gross education inadequacies”, claims regarding state funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

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

General Fund Operations

Appendix B sets forth the General Fund operations for each of the last five fiscal years, which are derived from the District’s Audited Financial Statements.

Other Revenues

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

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, 2018. The additional 1% sales tax is to be apportioned among the County (33 1/3%), school districts in the County (16 2/3%), and towns, villages and cities in the County which have not imposed sales taxes (50%). Sales tax revenue for the last five fiscal years appears below.

Sales Tax History

Fiscal Year <u>Ending June 30:</u>	Total <u>Revenues ⁽¹⁾</u>	<u>Sales Tax</u>	Sales Tax <u>to Revenues</u>
2012	\$70,588,405	\$698,759	0.99%
2013	71,242,943	721,520	1.01
2014	74,931,405	760,325	1.01
2015	76,804,352	807,458	1.05
2016	82,184,603	812,377	0.99
2017	83,179,593	837,824	1.00

Independent Audits

The District retains the firm of O’Connor Davies LLP to audit its financial statements. The last audited report covers the period ending June 30, 2017. Copies of the complete report may be examined at the District office. Appendix B to this Official Statement presents excerpts from the District’s most recent audited reports covering the last five fiscal years. In addition, the District is subject to periodic audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. For audit year 2016 the State Comptroller released a report with findings related to procedures to accurately verifying and recording of paid salaries, wages and leave accruals.

See the State Comptroller’s official website for more information on local government audits. Reference to this website implies no warranty of accuracy of information therein.

TAX INFORMATION

Real Property Tax Assessment and Rates

The following table sets forth the assessed and full valuation of taxable real property, the District's real property tax levy and rates of tax per \$1,000 assessed valuation.

Real Property Tax Assessment and Rates **(fiscal years ending June 30:)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Value	\$124,148,059	\$124,682,370	\$125,558,663	\$126,937,740	\$127,629,559
Equalization Rate	2.06%	1.96%	1.91%	1.71%	1.64%
Full Value	6,026,604,806	6,361,345,408	6,573,751,990	7,423,259,649	7,782,290,183
Tax Levy	68,859,600	69,989,093	74,779,916	75,530,788	77,527,711
Tax Rate ⁽¹⁾	11.43	11.00	11.38	10.18	9.96

(1) Per \$1,000 Full Value.

Source: New York State Department of Real Property Services and District Officials.

Tax Collection Procedure

The District collects its own taxes which are payable in two installments, the first of which is due on August 1 and may be paid through August 31 without penalty. A penalty of 2% to 12%, depending upon payment date, is added on delinquent payments after September 1. The second installment is due on November 1 and may be paid through November 30, without penalty. A penalty of 2% to 10%, depending upon payment date, is added on delinquent payments after December 1. An additional 5% collection fee, in addition to the tax and penalty due, is added to all payments made on or after December 20. On June 30th of each year, the City of Rye is obligated to make the District whole on its tax collections.

STAR - School Tax Exemption

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

Approximately 2.28% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State.

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Ten of the Largest Taxpayers

The following table presents the taxable assessments of ten of the District's largest taxpayers for fiscal year ended June 30, 2018.

<u>Taxable Assessments</u>			
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation ⁽¹⁾</u>
The Miriam Osborn Mem. Home	Retirement Community	\$2,133,120	1.67%
Con Edison Co. of N	Public Utility	1,051,414	0.82
Parsonage Investment Co.	SFR + Vacant Land	715,800	0.56
Rye VS LLC	Commercial	668,000	0.52
Rye Colony Apts., Inc.	Cooperative	620,130	0.49
Milton Harbor House	Cooperative	567,450	0.44
Blind Brook Lodge Owners, Inc.	Cooperative	537,692	0.42
Shenorock Shore Club	Beach Club	485,900	0.38
American Yacht Club	Beach Club	461,169	0.36
C 2 Land LP	Commercial	<u>452,000</u>	<u>0.35</u>
Totals		<u>\$7,692,675</u>	<u>6.03%</u>

(1) The District's assessed value for the fiscal year ended June 30, 2018 is \$127,629,559.

Source: Office of the Assessor, City of Rye and New York State Board of Real Property Services.

DISTRICT INDEBTEDNESS

Constitutional and Statutory Requirements

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

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

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

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under “Nature of Obligation”, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See also “Tax Levy Limitation Law” herein.

Statutory Procedure

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

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

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

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

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed five per centum of the average full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes.

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Constitutional Debt Limit

The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed five per centum of the average full valuation of taxable real estate of the District. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the special State equalization ratio, as determined by the State Office of Real Property Services. 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. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Computation of Debt Limit

<u>Assessment Roll</u>	<u>Full Valuation</u>
2014	\$6,026,604,806
2015	6,361,345,408
2016	6,573,751,990
2017	7,423,259,649
2018	7,782,290,183
Total Five Year Full Valuation	<u>\$34,167,252,036</u>
Average Five Year Full Valuation	\$ 6,833,450,407
Debt Limit – 5% of Average Full Valuation	\$ 341,672,520

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

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Statutory Debt Limit and Net Indebtedness

Following is a summary of indebtedness, debt limit and net debt contracting margin of the District as of June 14, 2018.

Statutory Debt Limit and Net Indebtedness

Five-Year Average Full Valuation of Taxable Real Property		\$6,833,450,407
Debt Limit (5% of Average Full Valuation)		341,672,520
Outstanding Indebtedness (Principal Only):		
Bonds:	\$ 24,985,000	
Bond Anticipation Notes:	<u>1,800,000</u>	
Total Gross Indebtedness		<u>26,785,000</u>
Less Exclusion and Deductions ⁽¹⁾ :		
Refunded Bonds		0
Total Net Indebtedness		<u>\$ 26,785,000</u>
Net Debt-Contracting Margin		<u>\$ 314,887,520</u>
Percentage of Debt-Contracting Margin Exhausted		<u>7.84%</u>

(1) The District may exclude economically defeased obligations from its debt limit, such as refunded bonds.

Bond Anticipation Notes

The District currently has \$1,800,000 bond anticipation notes outstanding. Proceeds from the sale of the Notes together with \$372,346 in available funds will be used to redeem the District's \$1,800,000 Bond Anticipation Notes, 2017 (Renewals) due to mature on July 6, 2018.

Revenue Anticipation Notes

The District has not issued revenue anticipation notes in the past five years and does not expect to issue revenue anticipation notes in the near future.

Tax Anticipation Notes

The District has not issued tax anticipation notes in the past five years and does not expect to issue tax anticipation notes in the near future.

Installment Lease Purchase Agreements

The District does not have any installment lease purchase agreements outstanding and does not expect to execute any installment lease purchase agreements in the near future.

Future Capital Plans

Following the issuance of the Notes, the District will have no authorized but unissued debt. The District is currently reviewing future capital needs, which may include a ballot initiative to fund an estimated \$40,000,000 for capital projects largely related to creation and reconstruction of active learning environments. Such future ballot initiative is currently in planning and discussion stages and there can be no assurances as to when and if such capital projects will be initiated.

Trend of Capital Indebtedness

The following table sets forth the amount of direct capital indebtedness outstanding for each of the last five fiscal years ended June 30:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds:	\$40,655,000	\$37,490,000	\$34,365,000	\$ 31,165,000	\$28,080,000
Bonds Anticipation Notes:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,800,000</u>
Totals	<u>\$40,655,000</u>	<u>\$37,490,000</u>	<u>\$34,365,000</u>	<u>\$31,165,000</u>	<u>\$29,880,000</u>

Source: Audited Financial Statements of the District. Table itself is not audited.

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Overlapping and Underlying Debt

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayers' share of overlapping and underlying debt is based on the amount of the District's equalized property values taken as a percentage of each separate unit's total values. The following table presents the amount of overlapping and underlying debt and the District's share of this debt. Authorized but unissued debt has not been included.

Statement of Direct and Estimated Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>As of</u>	<u>District Share</u>	<u>Amount Applicable to District</u>
County of Westchester	\$ 415,946,491	11/15/17	2.80%	\$ 11,646,502
City of Rye	13,485,000	12/31/16	80.50	<u>10,855,425</u>
Total Net Overlapping Debt				22,501,927
Total Net Direct Debt ⁽¹⁾				<u>26,785,000</u>
Net Direct and Overlapping Debt				<u>\$49,286,927</u>

(1) Exclusive of Installment Purchase Debt.

Debt Ratios

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

	<u>Debt Ratios</u>	Debt Per	Debt to
	<u>Amount</u>	<u>Capita⁽¹⁾</u>	<u>Full Value⁽²⁾</u>
Net Direct Debt	\$26,785,000	\$1,805	0.34%
Net Direct and Overlapping Debt	49,286,927	3,321	0.63

(1) The population of the District is estimated by District officials to be approximately 14,840.

(2) The District's full value of taxable real property for fiscal year 2017-18 is \$7,782,290,183.

Source: Data provided by New York State Department of Real Property Services; New York State Department of Labor; Bureau of Statistics; County, City and District Officials.

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Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness for the future fiscal years, exclusive of economically defeased obligations.

Bond Principal and Interest Maturity Table

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018 ⁽¹⁾	\$3,095,000	\$850,222	\$3,945,222
2019	3,105,000	726,450	3,831,450
2020	3,115,000	602,625	3,717,625
2021	2,460,000	492,875	2,952,875
2022	2,455,000	415,875	2,870,875
2023	2,445,000	357,525	2,802,525
2024	1,270,000	311,125	1,581,125
2025	1,295,000	277,600	1,572,600
2026	1,305,000	245,050	1,550,050
2027	1,335,000	211,200	1,546,200
2028	1,345,000	177,950	1,522,950
2029	915,000	145,650	1,060,650
2030	940,000	118,200	1,058,200
2031	970,000	90,000	1,060,000
2032	1,000,000	60,900	1,060,900
2033	<u>1,030,000</u>	<u>30,900</u>	<u>1,060,900</u>
Totals	<u>\$28,080,000</u>	<u>\$5,114,147</u>	<u>\$33,194,147</u>

(1) For the entire fiscal year.

Source: Audited Financial Statements of the District. Table itself is not audited.

ECONOMIC AND DEMOGRAPHIC DATA

Largest Employers

Largest Employers

<u>Employers</u>	<u>Nature of Business</u>	<u>Estimated Number Of Employees</u>
Consolidated Edison Corp.	Public Utility	550
City School District of the City of Rye	Education	411
Avon Corp.	Distribution	150
City of Rye	Government	145

Source: District Officials.

Population

The District estimates its population to be approximately 14,840. Data contained in the following tables is not necessarily representative of the District.

	<u>Population Trend</u>			Percentage Change
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2000/ 2016</u>
City	14,955	15,720	15,949	6.7%
County	923,459	949,113	969,229	5.0
State	18,976,457	19,378,102	19,697,457	3.8

Source: US Census Bureau, American Fact Finder and 2012-2016 American Community Survey 5-Year Estimates

Income

The following table presents median family income for the County and State. Data contained in the following table is not necessarily representative of the District.

	<u>Median Family Income</u>		
<u>Year</u>	<u>City</u>	<u>Westchester County</u>	<u>New York State</u>
2000	\$110,894	\$63,582	\$51,691
2010	209,149	79,619	67,405
2016	206,174	86,226	60,741

Source: New York State Department of Commerce; New York State Department of Economic Development.

Source: US Census Bureau, American Fact Finder and 2012-2016 American Community Survey 5-Year Estimates

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the County and State. Data contained in the following table is not necessarily representative of the District.

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

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

Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2013	6.3%	7.7%
2014	5.1	6.3
2015	4.5	5.3
2016	4.3	4.8
2017	4.6	4.7

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

Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
May 2017	4.3%	4.4%
June	4.5	4.6
July	4.7	4.9
August	4.8	4.9
September	4.6	4.6
October	4.5	4.4
November	4.5	4.4
December	4.4	4.4
January 2018	4.9	5.1
February	5.2	5.1
March	4.7	4.8
April	4.2	4.4

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

END OF APPENDIX A

APPENDIX B*
FINANCIAL STATEMENT SUMMARIES

*** Appendix B is not audited.**

RYE CITY SCHOOL DISTRICT
 Budgets - General Func
 Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>
Revenues:		
Real Property Taxes	\$77,527,711	\$79,974,181
Real Property Tax Items	110,000	110,000
Payments in Lieu of Taxes	427,810	436,690
County Sales Tax	800,000	800,000
Utility Tax	678,000	700,000
Charges for Services	1,270,650	986,687
Use of Money	107,000	110,000
Miscellaneous Revenues	346,500	268,500
State Sources	3,562,404	3,976,273
Medicare Reimbursement	0	0
Appropriated Fund Balance	2,100,000	1,886,850
	<u>\$86,930,075</u>	<u>\$89,249,181</u>
Total Revenues	<u>\$86,930,075</u>	<u>\$89,249,181</u>
Expenditures		
General Support	\$6,773,851	\$6,711,842
Instruction	54,038,124	54,742,389
Transportation	1,776,000	1,727,500
Community Service	27,500	27,500
Employee Benefits/Administration & Interfund Transfers	19,433,300	21,233,500
Debt Service	3,981,300	3,881,450
Transfers/Undistributed/New Staff	900,000	925,000
	<u>\$86,930,075</u>	<u>\$89,249,181</u>
Total Expenditures	<u>\$86,930,075</u>	<u>\$89,249,181</u>

Source: Adopted Budgets of the District

RYE CITY SCHOOL DISTRICT

Balance Sheet
General Fund
Fiscal Year Ended June 30:

	<u>2016</u>	<u>2017</u>
Assets:		
Cash and equivalents	\$20,181,691	\$21,987,357
Investments	0	0
Accounts receivable	901,299	167,074
State and Federal aid receivable	248,324	245,561
Due from other funds	1,332,340	980,772
Due from other governments	<u>739,711</u>	<u>742,443</u>
 Total Assets	 <u><u>\$23,403,365</u></u>	 <u><u>\$24,123,207</u></u>
 Liabilities and Fund Equity		
Liabilities		
Accounts payable	\$972,747	\$1,278,713
Accrued liabilities	2,010,123	1,541,248
Due to other governments	33,014	95,378
Due to other funds	1,586,101	731,139
Deferred revenues	0	1,880
Due to retirement systems	<u>5,232,032</u>	<u>4,831,624</u>
 Total Liabilities	 <u><u>\$9,834,017</u></u>	 <u><u>\$8,479,982</u></u>
 Deferred Inflow of Resources		
Taxes Collected in Advance	<u>56,593</u>	<u>75,847</u>
 Total Liabilities and Deferred Inflow of Resources	 <u><u>\$9,890,610</u></u>	 <u><u>\$8,555,829</u></u>
 Fund Balance		
Restricted	\$6,924,591	\$8,479,588
Assigned	3,474,933	3,740,950
Unassigned	<u>3,113,231</u>	<u>3,346,840</u>
 Total Fund Balance	 <u><u>\$13,512,757</u></u>	 <u><u>\$15,567,378</u></u>
 Total Liabilities & Fund Balance	 <u><u>\$23,403,367</u></u>	 <u><u>\$24,123,207</u></u>

Source: Audited Financial Statements of the District.
Summary itself not audited.

RYE CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Fiscal Year Ended June 30:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real property taxes	\$62,393,342	\$65,667,374	\$67,167,737	\$72,024,570	\$72,907,993
Other tax items	3,654,094	3,640,637	3,373,625	3,402,511	3,117,694
Non-property Taxes	721,520	760,325	1,376,208	1,453,776	1,564,396
Charges for services	1,095,250	1,382,029	1,224,417	1,200,617	1,342,255
Use of money and property	169,959	101,349	66,326	244,639	232,493
Sale of property and compensation for loss	2,785	5,824	17,104	2,171	836
Miscellaneous	333,095	360,808	332,480	290,513	195,268
State aid	2,857,014	2,993,530	3,242,944	3,451,320	3,809,883
Federal aid	15,884	19,529	3,511	4,147	8,775
	<u>\$71,242,943</u>	<u>\$74,931,405</u>	<u>\$76,804,352</u>	<u>\$82,074,264</u>	<u>\$83,179,593</u>
Total Revenues					
Expenditures:					
General government support	\$8,347,575	\$8,024,211	\$8,303,453	\$8,341,342	\$9,020,792
Instruction	42,543,182	42,212,642	44,958,889	46,991,510	48,138,649
Pupil transportation	1,093,965	1,124,302	1,492,849	1,488,872	1,661,675
Community services	40,716	27,422	27,654	27,495	27,468
Employee benefits	16,471,385	18,210,516	18,462,950	18,374,843	17,319,926
Debt service	3,418,221	4,495,802	4,321,621	4,158,955	4,046,716
	<u>\$71,915,044</u>	<u>\$74,094,895</u>	<u>\$77,567,416</u>	<u>\$79,383,017</u>	<u>\$80,215,226</u>
Total Expenditures					
Excess (Def) of Revenues over Expenditures	(672,101)	836,510	(763,064)	2,691,247	2,964,367
Other Financing Sources (Uses):					
Insurance proceeds	\$ 185,384	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	135,000	-
Operating transfers out	<u>(1,170,000)</u>	<u>(1,161,094)</u>	<u>(856,374)</u>	<u>(893,937)</u>	<u>909,744</u>
Total Other Financing Sources	<u>(984,616)</u>	<u>(1,161,094)</u>	<u>(856,374)</u>	<u>(758,937)</u>	<u>909,744</u>
Net change in fund balance	(1,656,717)	(324,584)	(1,619,438)	1,932,310	2,054,623
Fund Balance - Beg. of Year	<u>15,181,184</u>	<u>13,524,467</u>	<u>13,199,883</u>	<u>11,580,445</u>	<u>13,512,755</u>
Fund Balance - End of Year	<u>\$13,524,467</u>	<u>\$13,199,883</u>	<u>\$11,580,445</u>	<u>\$13,512,755</u>	<u>\$15,567,379</u>

Source: Audited Financial Statements of the District.
Summary itself not audited.

APPENDIX C

FORM OF BOND COUNSEL'S LEGAL OPINION

July 5, 2018

City School District of the City of Rye
County of Westchester,
State of New York

City School District Of The City Of Rye
Westchester County, New York
\$1,427,654 Bond Anticipation Notes, 2018 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a \$1,427,654 Bond Anticipation Notes, 2018 (Renewals) (the "Obligations"), of the City School District of the City of Rye, Westchester County, New York (the "Obligor"), dated July 5, 2018, numbered _____, of the denomination of \$[_____], bearing interest at the rate of [_____] % per annum, payable at maturity, and maturing July 5, 2019.

We have examined:

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

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and

truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. 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