

RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Syracuse, New York, assuming continuing compliance by the District with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual alternative minimum taxes imposed by the Code. 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). See "TAX MATTERS" herein for a discussion of certain Federal taxes applicable to corporate owners of the Notes.

The Notes will not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

VALLEY CENTRAL SCHOOL DISTRICT ORANGE COUNTY, NEW YORK

\$18,625,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES, 2018 (the "Notes")

Date of Issue: June 20, 2018

Maturity Date: June 20, 2019

The Notes are general obligations of the Valley Central School District, Orange County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the 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(s), the Notes will be issued in (i) certificated registered form registered in the name of the successful bidder(s) or (ii) registered book-entry form registered in the name of 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, 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 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).

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate(s). 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 "THE NOTES - Book-Entry-Only System" herein.)

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the final approving opinion of Bond, Schoeneck & King, PLLC, Syracuse, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or as otherwise agreed with the purchaser(s) on or about June 20, 2018.

THIS OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE DISTRICT FOR PURPOSES OF UNITED STATES SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE NOTICE OF MATERIAL EVENTS AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

DATED: May 31, 2018

**VALLEY CENTRAL SCHOOL DISTRICT
ORANGE COUNTY, NEW YORK**

BOARD OF EDUCATION

Sheila Schwartz..... President
Sonia Lewis Vice President
Joseph Bond..... Board Member
Joseph Byrne..... Board Member
Brad Conklin..... Board Member
Sarah Messing..... Board Member
Melvin Wesenberg Board Member

DISTRICT OFFICIALS

John Xanthis Superintendent of Schools
Lisa Raymond Assistant Superintendent for Business
Carol Robinson District Treasurer

INDEPENDENT AUDITOR

**Nugent & Haeussler, P.C.
Montgomery, New York**

BOND COUNSEL

**Bond, Schoeneck & King, PLLC
Syracuse, New York**

MUNICIPAL ADVISOR



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

No person has been authorized by the Valley Central School District to give any information or to make any representations not contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Valley Central School District.

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 ENDED JUNE 30, 2017

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OFFICIAL STATEMENT

VALLEY CENTRAL SCHOOL DISTRICT ORANGE COUNTY, NEW YORK

relating to

\$18,625,000

BOND ANTICIPATION NOTES, 2018
(the “Notes”)

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Valley Central School District, in the County of Orange, in the State of New York (the “District”, “County”, and “State”, respectively), in connection with the sale of \$18,625,000 Bond Anticipation Notes, 2018 (the “Notes”).

All quotations from and summaries and explanations of the provisions of the Constitution and Laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof, and all references to the 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 District will act as Paying Agent for the Notes. The District contact information is as follows: Lisa Raymond, Assistant Superintendent for Business, Valley Central School District, 944 State Route 17K, Montgomery, NY, (845) 457-2400 x.18122, e-mail: lisa.raymond@valleycentralschools.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 February 9, 2015 for the reconstruction, improvements, rehabilitation, and renovation of Berea Elementary School, East Coldenham Elementary School, Montgomery Elementary School, Walden Elementary School, Valley Central Middle School, and Valley Central High School, at a cost of \$19,875,000 to be financed. The proceeds of the Notes, along with \$1,250,000 in available funds, will renew \$19,875,000 outstanding bond anticipation notes which were issued for such purposes and mature on June 21, 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-only Notes. Such Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for each note bearing the same rate of interest and CUSIP and deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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 to DTC.

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

Source: The Depository Trust Company

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

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. See "TAX LEVY LIMITATION LAW" herein.

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

Chapter 97 of the New York Laws of 2011 as amended, (the “Tax Levy Limitation Law” applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are affected indirectly by applicability to their respective City.)

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

The Tax Levy Limitation Law 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, the Tax Levy Limitation Law 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 the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital

Local Expenditures”, are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy” and this is an exclusion from the tax levy limitation, applicable to the 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.” 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.

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.

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 bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding 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, the State Comptroller 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. The Notes 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 counties, cities, towns and villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 the District will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. (See “State Aid” and “Events Affecting New York School Districts” herein).

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

If and when a holder of any of the 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 could have an adverse effect on the market value of the Notes (See “TAX MATTERS” herein).

The enactment of the Tax Levy Limitation Law, 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 STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM AND COMPLIANCE REVIEWS

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

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

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

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

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

LITIGATION

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District.

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

For the fiscal years ended June 30, 2016 and 2017, the District paid tax refunds of \$64,905 and \$370,274 pursuant to tax certiorari settlements, respectively. For the current fiscal year, as of May 15, 2018, the District has paid \$68,820 in tax refunds according to District officials. The District has established tax certiorari reserve funds for these two years, which had an audited balance of \$4.9 million at June 30, 2017.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. These requirements include provisions which prescribe yield and other limits relative to the investment and expenditures of the proceeds of the Notes and other amounts and require that certain earnings be rebated to the federal government. The District will agree to comply with certain provisions and procedures, pursuant to which such requirements can be satisfied. Non-compliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which non-compliance is ascertained.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of the United States branch of a foreign corporation is income that would be effectively connected with the United States trade or business if such income were taxable, such as the interest on the Notes. Existing United States income tax treaties may modify, reduce, or eliminate the branch profits tax, except in cases of treaty shopping.

The Code further provides that interest on the Notes is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits is to be included in taxable income of individuals. In addition, certain S Corporations may have a tax imposed on passive income, including tax-exempt interest, such as interest on the Notes.

Prospective purchasers should consult their tax advisors with respect to the calculations of the alternative minimum tax or foreign branch profits tax liability, and the tax on passive income of S Corporations or the inclusion of Social Security or other retirement payments in taxable income.

In the opinion of Bond Counsel, assuming compliance with certain requirements of the Code, under existing laws, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The opinion of Bond Counsel described herein with respect to the federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. There can be no assurance that the Code will not be

amended in the future so as to reduce or eliminate such favorable federal income tax treatment on the Notes. Any such future legislation would have an adverse effect on the market value of the Notes.

In addition, in the opinion of Bond Counsel, under existing laws, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Bond, Schoeneck & King, PLLC, Bond Counsel, Syracuse, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes 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 District, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to the limitations of the Tax Levy Limitation Law, (ii) 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; and (iii) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinions of Bond Counsel set forth in (iii) above are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes. It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be also subject to exercise of judicial discretion in appropriate cases.

Bond Counsel has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement (except to the extent, if any, stated in the Official Statement) or any other offering material relating to the Notes, and Bond Counsel expresses no opinion relating thereto (excepting only matters set forth as Bond Counsel's opinion in the Official Statement).

DISCLOSURE UNDERTAKING

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Material Events" (the "Undertaking"). The 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) Note calls, if material, and tender offers;
- (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the 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 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 consultation with nationally recognized bond counsel in a manner consistent with the Rule as then in effect.

Compliance History

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

The District’s annual financial information and operating data for fiscal 2011 through 2014 was filed in the form of Official Statements issued during the District’s corresponding fiscal year. The District’s 2015 audited financial statements and annual financial information and operating data were filed late due to a misunderstanding in the required filing date. The District is now aware of the 180 day filing requirement and intends to file future all future documents in a timely fashion.

MUNICIPAL ADVISOR

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

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

RATING

The District did not apply for a rating of the Notes.

The District’s underlying rating by Moody’s Investors Service, Inc. (“Moody’s”) is “Aa3.”

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

ADDITIONAL INFORMATION

Additional information may be obtained from Lisa Raymond, Assistant Superintendent for Business, Valley Central School District, 944 State Route 17K, Montgomery, NY, (845) 457-2400 x.18122, e-mail: lisa.raymond@valleycentralschools.org, or from the District’s Municipal Advisor, Capital Markets Advisors, LLC, 1075 Route 82 – Suite 4, Hopewell Junction, New York 12533, (845) 227-8678.

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

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

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

Bond, Schoeneck & King, PLLC, Syracuse, New York, Bond Counsel to the District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in

connection with the offer and sale of the 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 limitation as to information in the Official Statement obtained from sources other than the District, as to which no representation can be made.

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

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

VALLEY CENTRAL SCHOOL DISTRICT
ORANGE COUNTY, NEW YORK

By: _____
Sheila Schwartz
President of the Board of Education and
Chief Fiscal Officer

DATED: May 31, 2018

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APPENDIX A

THE DISTRICT

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THE DISTRICT

General Information

The District is located in Orange County, New York, approximately 60 miles north of New York City. The School District includes almost all of the Town of Montgomery and portions of the Towns of Crawford, Hamptonburgh, Newburgh, New Windsor, Shawangunk and Wallkill. Almost 79% of the School District's tax levy is generated in the Town of Montgomery.

The School District is primarily residential in nature. Residents are employed locally and throughout the County and surrounding areas. Unemployment rates reported for the County in recent years have been substantially less than both State and national averages (see "Economic and Demographic Data," herein).

The majority of the population for the District resides in the Town of Montgomery. According to District officials, the District maintains seven school buildings with 4,298 students enrolled during the 2016-17 fiscal year.

The School District is served by all major forms of transportation. Major highways serving the School District include The New York State Thruway (linking New York City and Buffalo), Interstate 84 (linking Hartford, Connecticut and Scranton, Pennsylvania), and State Route 17 (providing access to New York City metropolitan area and western portions of the State). The School District is also served by a network of County and Town roads. Rail passenger service is available from the Metro North Commuter Railroad, with a station in the City of Middletown providing service links with New Jersey trains to New York City. Metro North and Amtrak rail service is also available in nearby Beacon. Commercial air transportation is available at nearby Stewart Airport in Newburgh, New York.

Residents of the School District received their basic municipal services from the towns making up the School District. The County is responsible for providing social and certain health related programs. CH Energy Group, Inc., Orange and Rockland Utilities, Inc., New York State Electric and Gas, Frontier Communications and Verizon provide residents of the School District with electric, natural gas and telephone service. Water and sewer services are comprised of both municipal and private systems.

District Organization

The District is an independent entity governed by an elected Board of Education comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are chosen on a rotating basis by qualified voters at the annual election of the District held on the third Tuesday of May each year. The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the Chief Executive Officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education.

Financial Organization

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

Financial Statements and Accounting Procedures

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

Budgetary Procedure

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a budget for the ensuing fiscal year (tentative budget). The budget must consist of three parts: program, administration and capital. During November and December the tentative budget is developed and refined in consultation with school principals and department supervisors. 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 School 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.

If the voters fail to approve the preliminary budget, the Board of Education may resubmit the budget in its original or revised form. Alternatively, the Board may adopt a contingent budget. The Board must adopt a contingent budget in the event the voters do not approve the budget upon the second vote. Spending from year to year under a contingent budget may not increase by more than the lesser of 120% of the U.S. Consumer Price Index for the prior year or 4%. Certain expenditures such as tax certiorari expenses, settled claims, or capital outlays may be excluded from the spending limit calculation. Expenses directly attributed in enrollment growth may also be excluded from the limit. Such contingent budget must provide a tax for ordinary contingent expenses of the District, including debt service, in a like manner as if the same had been voted by the qualified voters.

Pursuant to Chapter 97 of the Laws of 2011 (“Chapter 97” or the “Tax Levy Limitation Law”), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the “School District Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language. Any separate proposition that would cause the School District to exceed the School District Tax Cap to be exceeded also must receive at least 60% voter approval. (See “The Tax Levy Limit Law,” herein.)

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). Clarification may be needed to determine whether a Board of Education must adopt a budget that requires the same tax levy amount as used in the prior fiscal year, or whether changes to the levy are permitted for such purposes as the School District Tax Cap Exclusions or Tax Base Growth Factor.

The voters of the District rejected the budget for the 2018-19 fiscal year on May 15, 2018. Additional information relating to the revote of the budget may be obtained by visiting the Districts official website. See Appendix B for a summary of the 2017-18 adopted budgets.

School Enrollment Trends

The following table shows actual student enrollments for the District for the last five completed years and for the current fiscal year.

<u>Fiscal Year Ended June 30:</u>	<u>Enrollment History</u>
2013-14	4,610
2014-15	4,408
2015-16	4,321
2016-17	4,298
2017-18	4,341

Source: District officials.

District Facilities

The District currently operates the following school facilities:

<u>Name</u>	<u>Year (s) Built</u>	<u>Grades</u>	<u>Capacity</u>
V.C.S.D. High School	1961, '89	9-12	1,569
V.C.S.D. Middle School	1966	6-8	1,339
Montgomery Elementary School	1936, '68, 2000	K-5	783
Walden Elementary School	1926, '52	K-5	685
Berea Elementary School	1969, 2000	K-5	569
East Coldenham Elementary School	1960	K-1	444
Alternative Learning Center	1923	K-1	<u>301</u>
Total Capacity			<u><u>5,690</u></u>

During 2016 the District commenced work on a capital improvement project which includes renovations to various District buildings. The project is still in process.

Source: District officials.

Employees

The School District provides services through approximately 811 employees, including 749 full and 62 part time employees. Information on collective bargaining units and labor contracts is summarized in the below table:

<u>Number of Employees</u>	<u>Union</u>	<u>Contract Expires</u>
462	Valley Central Teachers' Association	06-30-20
200	Valley Central Teachers' Association Paraprofessional Chapter	06-30-18
51	CSEA, Inc.	06-30-18
38	Valley Central School Unit of Nutritional Staff	06-30-17 ⁽¹⁾
28	Valley Central Teachers' Association Secretarial Staff	06-30-17 ⁽¹⁾
19	Valley Central Administrators' Association	06-30-20
13	Valley Central Confidential Secretarial Unit	06-30-19

(1) In negotiation.

Source: District officials.

Employee Benefits

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

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

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

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

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

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

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

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

Retirement Billing Procedures

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

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

As described in Notes 1 and 8 in the audited financial statements for the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board Statements No. 68, which improve the usefulness of pension information and enhance its value for assessing accountability and interperiod equity by requiring recognition of a net pension asset or liability and a more comprehensive measure of pension expense (“see the audited financial statements for the years ended June 30, 2015 through 2017, “Notes to Financial Statements,” herein).

The amounts contributed to ERS and TRS for the fiscal years ended June 30, 2013 through 2017 and the amount budgeted for 2018 are as follows:

Fiscal Year Ended June 30:	ERS	TRS
2013	\$1,594,003	\$4,607,849
2014	1,518,488	5,768,352
2015	1,321,797	6,529,659
2016	1,324,682	6,691,254
2017	1,264,793	5,380,299

Source: The audited financial statements for and the adopted budgets of the District.

Other Post Employment Benefits

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

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

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

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

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial valuation will be required every two years for the District. The District is in compliance with the requirements of GASB 45. The District has determined that its unfunded actuarial accrued liability (“UAAL”) for OPEB as of July 1, 2016 was \$130,497,254. For the year ended June 30, 2017, the District’s ARC was \$12,638,798.

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 reserve funds or irrevocable trusts for the funding of OPEB. The District continues funding the expenditure on a pay-as-you-go basis.

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

Investment Policy

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

Authorized Investments. The District has designated four banks or trust companies which are located and authorized to conduct business in the State to receive deposits of money. In addition, District officials have indicated a fourth is anticipated to be added during the 2017-18 fiscal year. The District is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the District is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the District include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the District (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the District but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The District may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject

to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the District, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

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

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

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

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

FINANCIAL FACTORS

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

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-General Fund” in Appendix B, herein). Chapter 97 imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. See “Tax Levy Limitation Law,” herein.

The following table sets forth General Fund revenue and real property tax revenue during the last five audited fiscal years, and the amount of such revenues budgeted for the most recent fiscal year.

General Fund Real and Real Property Taxes

<u>Fiscal Year</u>	<u>General Fund Revenue ⁽¹⁾</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes As a Percentage of General Fund Revenue</u>
2012-13	\$84,981,194	\$45,880,955	54.0%
2013-14	87,905,867	47,862,314	54.4
2014-15	92,874,512	49,983,369	53.8
2015-16	94,616,108	50,956,602	53.9
2016-17	97,505,844	51,250,961	52.6
2017-18 (Adopted Budget) ⁽²⁾	99,112,071	52,961,047	53.4

(1) Excludes other financing sources.
 (2) Excludes estimated STAR funds of approximately \$6.2 million and the planned use of \$2.1 million fund balance.

Source: The audited financial statements and adopted budgets of the District. The summary itself is not audited.

State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. The following table sets forth General Fund revenue and State aid during the last five completed fiscal years, and the amount of such revenue included in the most recent adopted budget.

General Fund and State Aid

<u>Fiscal Year Ended June 30:</u>	<u>General Fund Revenue ⁽¹⁾</u>	<u>State Aid</u>	<u>State Aid to Revenue (%)</u>
2012-13	\$84,981,194	\$30,203,851	35.5%
2013-14	87,905,867	30,796,217	35.0
2014-15	92,874,512	33,761,220	36.4
2015-16	94,616,108	34,120,322	35.9
2016-17	97,505,844	36,132,599	37.1
2017-18 (Adopted Budget) ⁽²⁾	99,112,071	37,214,178	37.5

(1) Excludes other financing sources.
 (2) Excludes estimated STAR funds of approximately \$6.2 million and the planned use of \$2.1 million fund balance.

Source: The audited financial statements and 2017-18 adopted budget of the District. The summary 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.

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

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

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

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

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

Events Affecting New York 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 was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$3,403,847.

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

School district fiscal year (2016-2017): The State Legislature adopted the State budget on March 31, 2016. The budget included an increase of \$991 million in State aid for school districts over the State's 2015-16 Budget, \$863 million of which consisted 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 included \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The State's 2017-2018 Budget provided for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, in keeping with the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2018-2019): The State’s 2018-2019 Enacted Budget provides for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018–2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

Other Revenues

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

Independent Audits

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

In addition, the District is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established by the State. A report reviewing the financial conditions of the District was made available on September 6, 2014. Full copies of the State audit may be obtained by visiting the official website of the State Comptroller.

See also, “The State Comptroller’s Fiscal Stress Monitoring System and Compliance Reviews” herein.

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REAL PROPERTY TAXES

Assessed and Full Valuations

Fiscal Years Ended June 30:

District Assessed Valuations	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Within the Towns of:</u>					
Montgomery	\$ 1,298,032,795	\$1,313,180,675	\$1,300,503,232	\$1,309,813,082	\$1,351,668,034
Crawford	51,160,235	51,405,832	51,159,284	51,064,085	51,150,489
Wallkill	20,398,212	20,566,592	20,457,807	20,573,572	20,602,101
Hamptonburgh	53,823,643	52,434,873	52,382,714	55,786,819	56,212,988
Shawangunk	2,846,186	2,804,866	2,753,590	2,752,014	2,715,084
Newburgh	70,009,542	67,616,387	66,040,636	66,761,203	67,210,856
New Windsor	3,232,124	3,233,872	3,233,908	3,233,908	2,969,565
Total Assessed Valuation	\$1,499,502,737	\$1,511,243,097	\$1,496,531,171	\$1,509,984,683	\$1,552,529,117
<u>State Equalization Rates - Towns of:</u>					
Montgomery	70.00%	71.00%	72.00%	71.00%	68.00%
Crawford	41.44	41.40	40.75	40.00	40.00
Wallkill	21.50	21.90	22.10	22.00	21.24
Hamptonburgh	109.00	107.72	100.00	100.00	100.00
Shawangunk	22.00	22.25	22.25	22.50	21.78
Newburgh	39.50	38.70	38.00	36.00	34.44
New Windsor	19.28	18.59	18.55	18.67	18.04
<u>District Full Valuation Within the Towns of:</u>					
Montgomery	\$1,854,332,564	\$1,849,550,246	\$1,806,254,489	\$1,844,807,158	\$1,987,747,109
Crawford	123,456,166	124,168,676	125,544,255	127,660,213	127,876,223
Wallkill	94,875,405	93,911,379	92,569,262	93,516,236	96,996,709
Hamptonburgh	49,379,489	48,677,008	52,382,714	55,786,819	56,212,988
Shawangunk	12,937,209	12,606,139	12,375,685	12,231,173	12,465,950
Newburgh	177,239,347	170,318,355	173,791,147	185,447,786	195,153,473
New Windsor	16,764,129	17,395,761	17,433,466	17,321,414	16,461,003
Total Full Valuation	\$2,328,984,309	\$2,316,627,564	\$2,280,351,018	\$2,336,770,799	\$2,492,913,455
<u>District Tax Rates Per \$1,000 Assessed Valuation Within The Towns of:</u>					
Montgomery	\$33.27	\$34.20	\$34.92	\$34.72	\$34.90
Crawford	56.20	58.65	61.70	61.63	59.33
Wallkill	108.33	110.88	113.77	112.06	111.73
Hamptonburgh	21.37	22.51	25.14	24.65	23.73
Shawangunk	105.87	109.13	113.00	109.57	108.96
Newburgh	58.96	62.74	66.16	68.48	68.91
New Windsor	120.80	130.62	135.54	132.05	131.55
<u>District Tax Levies And Collections:</u>					
Tax Levy ⁽¹⁾	\$52,244,354	\$56,359,399	\$57,334,455	\$57,610,236	\$59,161,047
Tax Levy % Uncollected ⁽²⁾	None	None	None	N/A	N/A

(1) Gross tax levy prior to adjustments (tax roll additions, shortages, cancellations and refunds). See "Tax Collection Procedure."

(2) The County is required to remit 100% of the taxes due to the School District.

Source: The Joint Statement of School Tax Levy & ORPTS

Tax Collection Procedures

The Board of Education of the School District levies real property taxes after such taxes have been approved by the District voters. School taxes become a lien upon the final adoption of the school tax roll by the Board of Education. Unpaid interest on school taxes is deemed part of the tax and together with such original tax remain a lien until paid.

School taxes are collected by the Town of Montgomery for six towns in the district, and by Town of Newburgh between September 1 and November 1. Such taxes may be paid during the month of September without interest. Generally, payments received on or after October 1 must include interest computed at 2% per month from September 1. On or about November 1, the various school tax collecting officers transmit a listing of unpaid taxes to the District. A certified listing of unpaid taxes must be transmitted to the County not later than November 15.

Unpaid school taxes with 7% added thereto are re-levied by the County and thereafter collected and enforced in the same manner as real property taxes levied for County purposes. The County must remit the full amount of unpaid taxes to the District by April 1 of the succeeding calendar year. Thus the District is guaranteed 100% of its taxes in the year of the levy.

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 10.8% (unaudited) of the District's 2016-17 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 10.3% of the District's 2017-18 school tax levy is expected to be exempted by the STAR program a (See "State Aid" herein).

Ten of the Largest Taxpayers

<u>2017 Tax Roll</u>			
<u>Taxpayer</u>	<u>Classification</u>	<u>Total Full Valuation</u>	<u>% of Total Full Valuation ⁽¹⁾</u>
Allegiance Healthcare ⁽²⁾	Medical	\$ 44,486,765	1.79%
Suncap Newburgh LLC	Distribution Center	44,194,700	1.77
Staples The Office	Office Products	33,529,400	1.34
Central Hudson Gas & Electric	Utility	31,824,700	1.28
Neelytown Road Investors	Misc.	31,323,500	1.26
Do it Best	Warehouse	14,558,800	0.58
NYS Electric & Gas	Utility	12,914,700	0.52
GPT Montgomery Owner LLC	Medical	11,669,100	0.47
Montgomery Grocery	Shopping Center	10,544,100	0.42
YRC Freight	Trucking	9,583,200	0.38
Total		<u><u>\$244,628,965</u></u>	<u><u>9.81%</u></u>

(1) The full value assessment for 2017-18 is \$2,492,913,455

(2) District officials have indicated the taxpayer has a pending tax certiorari claim. See "Litigation," herein.

Source: District Officials.

DISTRICT INDEBTEDNESS

Constitutional Requirements

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

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

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

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limitation Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The law also provides a procedural method to override that limitation. (See “Tax Levy Limitation Law” in this Official Statement).

Statutory Procedure

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

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

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

The 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 Notes. However, such finance board may delegate the power to sell the Notes, to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Contracting Limitation and Power

The State Office of Real Property Tax Services (the “ORPTS”) annually establishes State Equalization Rates for all localities in the State, including the District, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aid and are used in the calculation of debt contracting and real property taxing limitations which are based on a percentage amount of full valuation. The State determines the assessed valuation of utilities and special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places.

The following table sets forth the current debt-contracting limitation of the District.

**Computation of Debt Limit
As of June 2, 2018**

Town	Assessed Valuations	Equalization Rates ⁽¹⁾	Full Valuations
Montgomery	\$ 1,351,668,034	68.00%	\$ 1,987,747,109
Crawford	51,150,489	40.00	127,876,223
Wallkill	20,602,101	21.24	96,996,709
Hamptonburgh	56,212,988	100.00	56,212,988
Shawangunk	2,715,084	21.78	12,465,950
Newburgh	67,210,856	34.44	195,153,473
New Windsor	2,969,565	18.04	16,461,003
Total Full Valuations			2,492,913,455
Debt-Contracting Limitation: (10% of Full Valuation)			\$ 249,291,345

(1) Final rates as established by the ORPTS.

Source: The Joint Statement of School Taxes.

Statutory Debt Limit and Net Indebtedness

**Statutory Debt Limit and Net Indebtedness
As of June 2, 2018**

	Amount	Percentage
Debt Contracting Limitation:	\$ 249,291,345	100.00%
Gross Indebtedness:		
Serial Bonds	9,575,000	3.84
Bonds Anticipation Notes	19,875,000	7.97
Total Gross Debt	29,450,000	11.81
Exclusions and Deductions ⁽¹⁾	-0-	0.00
Net Indebtedness	29,450,000	11.81
Debt Contracting Margin	\$219,841,345	88.19%

(1) The District estimates that it will receive approximately \$17.5 million of State school building aid for outstanding bonds. Such estimate, however, has not been certified by the State and, therefore, no deduction has been taken to compute the District's debt limit.

Short-Term Indebtedness

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

As of June 2, 2018 the District had \$19,875,000 in outstanding bond anticipation notes maturing on June 21, 2018. Such notes were issued to fund a capital improvement project at an estimated total cost of \$19.9 million. The District expects to finance the full amount authorized through subsequent debt issues which will correlate to the cash flow needs of the project.

Operational Purposes. The District is also authorized by law to issue tax anticipation notes and revenue anticipation notes to provide cash for operating expenditures. Borrowings for this purpose are restricted by formulas contained in the Local Finance Law and the Regulations issued under the U.S. Internal Revenue Code of 1986, as amended. Notes may be renewed from time to time but not beyond three years in the case of revenue anticipation notes or five years for tax anticipation notes. Budget notes may be issued to finance current operating expenditures for which there is no appropriation or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year.

The District has not issued notes for operational purposes in the past five years and officials have indicated they do not anticipate the need to issue for such purposes in the foreseeable future.

Trend of Capital Debt

The following table sets forth capital indebtedness outstanding at the end of each of the fiscal years ended June 30, 2013 through 2017, inclusive.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonded Indebtedness	\$13,435,000	\$18,495,000	\$15,880,000	\$13,165,00	\$10,355,000
Bond Anticipation Notes	<u>7,250,000</u>	<u>-0-</u>	<u>-0-</u>	<u>8,247,672</u>	<u>19,875,000</u>
Total Outstanding Indebtedness	<u><u>\$20,685,000</u></u>	<u><u>\$18,495,000</u></u>	<u><u>\$15,880,000</u></u>	<u><u>\$21,412,672</u></u>	<u><u>\$30,230,000</u></u>

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Overlapping and Underlying Debt

In addition to the District, other political subdivisions have the power to issue debt and levy or cause to be levied taxes 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 debt is based on the amount of the District’s equalized property values taken as a percentage of each separate unit’s total equalized values. The following table presents the estimated amount of overlapping debt and the District’s share of this estimated debt. Authorized but unissued debt has not been included.

**Statement of Direct and Overlapping Indebtedness
As of June 2, 2018**

Gross Direct Indebtedness	\$29,450,000
Exclusions and Deductions	<u>0</u>
Net Direct Indebtedness	<u>\$29,450,000</u>

<u>Overlapping Units</u>	<u>Date</u>	<u>Net Indebtedness</u>	<u>% Within School District</u>	<u>Applicable Net Indebtedness</u>
County of Orange	11/10/17	\$249,487,295	7.55%	\$ 18,836,291
				0
Towns of:				0
Montgomery	12/31/16	5,143,973	97.72	5,026,690
Crawford	12/31/16	4,799,882	15.71	754,061
Wallkill	12/16/17	13,733,433	3.73	512,257
Hamptonburgh	12/31/16	-0-	8.10	0
Shawangunk	12/31/16	4,694,143	1.54	72,290
Newburgh	06/23/17	5,805,006	5.63	326,822
New Windsor	03/07/18	2,166,250	0.73	15,813
				<u>15,813</u>
Total				<u><u>\$25,544,224</u></u>

Source: NYS of the State Comptroller, Office of Real Property Tax Services, and EMMA.

Debt Ratios

The following table sets forth certain debt ratios relating to the District’s indebtedness as of June 2, 2018.

	<u>Amount</u>	<u>Debt Per Capita ⁽¹⁾</u>	<u>Ratio to Estimated Full Value of Taxable Property ⁽²⁾</u>
Net Direct Debt	\$29,450,000	\$1,080	1.18%
Net Direct and Overlapping Debt	54,994,224	2,017	2.21

(1) The District’s population is estimated at 27,259 for 2015 according to data from the U.S. Census Bureau.
(2) The District’s full valuation of taxable real estate for fiscal year 2017-18 is \$2,492,913,455.

Authorized but Unissued Debt

As of the date of this Official Statement, the District had no authorized but unissued debt.

After issuance of the Notes, the District will have \$18,625,000 in outstanding bond anticipation notes in connection with an ongoing capital improvement project. At a future date the District intends to permanently finance such notes. It is possible toe permanent financing could occur at the next maturity date of the notes, however an exact timeline for borrowings has not yet been determined.

Debt Service Schedule

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

Fiscal Years Ending June 30:	Principal Payments	Interest Payments	Total Debt Service	Percentage Of Principal Paid
2018 ⁽¹⁾	\$1,080,000	\$ 348,400	\$ 1,428,400	10.43%
2019	1,105,000	313,800	1,418,800	21.10
2020	1,120,000	278,400	1,398,400	31.92
2021	1,145,000	242,500	1,387,500	42.97
2022	875,000	205,800	1,080,800	51.42
2023	915,000	174,975	1,089,975	60.26
2024	945,000	141,350	1,086,350	69.39
2025	965,000	104,100	1,069,100	78.71
2026	530,000	66,150	596,150	83.82
2027	540,000	50,250	590,250	89.04
2028	560,000	34,050	594,050	94.45
2029	575,000	17,250	592,250	100.00
	<u>\$10,355,000</u>	<u>\$1,977,025</u>	<u>\$12,332,025</u>	

(1) As of June 2, 2018, the District has paid \$780,000 in principal and \$324,400 in interest for payments due on serial bonds during the fiscal year ending June 30, 2018.

ECONOMIC AND DEMOGRAPHIC DATA

Population

	<u>Population Trend</u>			<u>% Change</u>	
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2000-10</u>	<u>2010-16</u>
County	341,367	372,813	376,242	9.2	0.9
State	18,976,457	19,378,102	19,745,289	2.1	1.9

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

Income

Per Capita Money Income

	<u>2010</u>	<u>2016</u>	<u>% Change</u>
County	28,944	31,272	8.0
State	30,948	34,212	10.5

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

Median Income of Families -2016

	<u>Median Income</u>	<u>Under \$25,000</u>	<u>\$25,000 -49,999</u>	<u>\$50,000 -74,999</u>	<u>\$75,000 -99,999</u>	<u>\$100,000 or More</u>
County	\$87,032	10.9%	15.8%	16.4%	14.1%	42.8%
State	74,036	15.5	18.6	16.5	13.2	36.2

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

Employment

Average Employed Civilian Labor Force 2000-2016

	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>% Change</u>	
				<u>2000-2010</u>	<u>2010-2016</u>
County	155,800	166,800	170,800	7.1%	2.4%
State	8,718,700	8,769,700	9,166,200	0.6	4.5

Source: New York State Department of Labor.

Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2013	6.8%	7.7%	6.5%
2014	5.5	6.3	5.4
2015	4.7	5.3	4.8
2016	4.3	4.8	4.5
2017	4.6	4.7	3.9
2018 ⁽¹⁾			
Jan	5.0	5.1	4.5
Feb	5.3	5.1	4.4
Mar	4.8	4.8	4.1
Apr	4.4	4.4	3.7

(1) Monthly Rates.

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

**Major Non-Governmental Employers in the County
(400+ Employees)**

Name	Type	Approx. No. of Employees
Orange Regional Medical Center	Hospital	2,524
Crystal Run Healthcare	Physician Specialty Practice	1,625
Access: Supports for Living	Rehabilitation Services	1,289
St. Luke's/Cornwall Hospital	Hospital	1,247
Elant Inc.	Senior Health and Housing	1,200
C&S Grocers Inc.	Distribution Center	1,107
Mount Saint Mary College	College	1,000
Empire Blue Cross / Blue Shield	Health Insurance	795
AHRC	Services for Development Disabilities	750
Time Warner Cable	Television, Cable, Communications	750
Kolmar Laboratories Inc.	Cosmetics / Personal Care Manufacturing	650
Amscan Inc.	Distribution	525
Horizon Family Medical Group	Health Care	500
Bon Secours Community Hospital	Hospital	490
Staples Inc.	Distribution Center - Office Supplies	460
Verla International Ltd.	Cosmetics Manufacturing	445
YRC	Trucking Transportation	435
United Natural Foods	Food Manufacturer	400
Adeco	Staffing Service	400
Times Herald Record	Publishing	395
Crystal Run Village, Inc.	Mental Health Services	391
Cardinal Health	Distribution Center	380
St. Anthony Community Hospital	Hospital	370
U.S. Postal Service	Mail Delivery	359
Precision Pipeline Solutions	Utilities	350
IBM Business Continuity & Resilience Services	Services	350
Superior Pack Group Inc.	Packaging & Labeling	325
Newburgh Auto Auction Solutions	Wholesale Autos	300
President Container Inc.	Manufacturing	300
Coach USA	Transportation	300

Source: 2016 official statement for Orange County dated September 8, 2016.

Financial Institutions

Commercial banks operating branch offices located within the School District include: Hometown Bank of the Hudson Valley, KeyBank N.A., Orange County Trust, and Walden Savings Bank.

Economic Development

In December 2010, the U.S. Department of Energy gave approval for a \$100 million loan guarantee to Taylor Biomass Energy to finance a Biomass Gasification-to-Energy project. Taylor Biomass Energy is located in the Town of Montgomery, and the total taxable value increase for this enterprise alone is expected to increase the School District's tax base by \$120M, or 4.5%. When completed, the facility is expected to annually be able to process 500 tons of waste into 25 Megawatts of electricity, enough to provide power to 25,000 local households. The new process will produce limited waste and substantially reduce the amount of materials sent to local landfills.

Within the last two years the Port Authority of New York and New Jersey have assumed the management and development of Stewart International Airport as a future hub for air travel in the New York Metropolitan area. Air traffic for the metropolitan area has reached capacity for LaGuardia, Kennedy, and Newark International airports, and in the near term, it is expected that Stewart will become further developed to absorb the air traffic growth the

metropolitan area will experience. A portion of Stewart International Airport is within the School District. The growth of the airport as a hub will carry with it ancillary tax base growth for the School District.

In September 2013, United Natural Foods, Inc. announced groundbreaking of the company's 525,000 square foot distribution facility in the town of Montgomery. The \$55 million capital investment project will create approximately 400 new jobs and is expected to be open by the fall of 2014.

END OF APPENDIX A

APPENDIX B

UNAUDITED SUMMARY OF FINANCIAL STATEMENTS AND BUDGETS

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VALLEY CENTRAL SCHOOL DISTRICT
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF JUNE 30:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS					
Unrestricted Cash	8,660,503	10,721,248	9,537,063	10,025,428	11,572,910
Restricted Cash	4,610,690	6,435,391	9,070,373	9,195,259	7,703,057
State and Federal Aid Receivable	2,329,711	2,049,103	3,248,486	1,680,745	1,917,981
Due From Other Governments	468,320	542,994	770,767	1,048,326	1,258,201
Due From Other Funds	1,691,740	1,280,236	2,763,592	2,045,435	2,260,471
Other Receivables, Net	4,678	2,304	298	14,839	20,090
Prepaid Expenditures	148,325	932,819	958,497	892,743	1,057,696
Due From Fiduciary Funds	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>2,500</u>	<u>5,000</u>
Total Assets	<u>\$ 17,913,967</u>	<u>\$ 21,964,095</u>	<u>\$ 26,359,076</u>	<u>\$ 24,905,275</u>	<u>\$ 25,795,406</u>
LIABILITIES AND FUNDEQUITY					
Liabilities:					
Accounts Payable	1,230,207	671,992	929,771	235,928	968,695
Accrued Liabilities	844,180	900,533	517,776	596,241	1,234,963
Due To Other Funds	0	0	66	100,000	66,430
Due To Fiduciary Funds	0	0	22,908	0	0
Due To Other Governments	56,898	113,454	212,660	275,974	0
Due to Teachers' Retirement System	4,819,075	5,910,813	6,691,254	5,701,738	5,251,616
Due to Employees' Retirement System	324,395	236,125	323,195	296,281	322,895
Compensated Absences	0	0	216,120	0	0
Unearned Revenues	<u>288,149</u>	<u>409,381</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>7,562,904</u>	<u>8,242,298</u>	<u>8,913,750</u>	<u>7,206,162</u>	<u>7,844,599</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	<u>0</u>	<u>0</u>	<u>398,138</u>	<u>1,016,139</u>	<u>1,249,977</u>
FUND BALANCES					
Nonspendable	148,325	932,819	958,497	892,743	1,057,696
Restricted	4,544,125	6,435,391	9,070,373	9,201,437	7,703,057
Assigned	2,142,926	2,661,229	3,036,016	2,656,403	3,023,993
Unassigned	<u>3,515,687</u>	<u>3,692,358</u>	<u>3,982,302</u>	<u>3,932,391</u>	<u>4,916,084</u>
Total Fund Balance	<u>10,351,063</u>	<u>13,721,797</u>	<u>17,047,188</u>	<u>16,682,974</u>	<u>16,700,830</u>
Total Liabilities and Fund Equity	<u>\$ 17,913,967</u>	<u>\$ 21,964,095</u>	<u>\$ 26,359,076</u>	<u>\$ 24,905,275</u>	<u>\$ 25,795,406</u>

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

Such presentation, however, has not been audited.

Complete copies of the District's audited financial statements are available upon request to the District.

VALLEY CENTRAL SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

FOR THE FISCAL YEARS ENDED JUNE 30:

	2012	2013	2014	2015	2016	2017
REVENUES:						
Real Property Taxes	\$ 44,075,302	\$ 45,880,955	\$ 47,862,314	\$ 49,983,369	\$ 50,956,602	\$ 51,250,961
Other Tax Items	8,478,568	7,768,559	7,796,064	7,852,627	8,092,468	8,204,737
Charges For Services	532,230	579,828	666,181	670,747	614,079	960,978
Use Of Money And Property	122,326	114,262	74,112	45,775	107,585	162,417
Sale Of Property And						
Compensation For Loss	2,181	4,898	2,982	50,419	116,965	22,525
Miscellaneous	550,336	402,739	682,230	468,563	591,471	758,758
State Aid	28,767,631	30,203,851	30,796,217	33,761,220	34,120,322	36,132,599
Federal Aid	9,273	26,102	25,767	41,792	16,616	12,869
Total Revenues	<u>82,537,847</u>	<u>84,981,194</u>	<u>87,905,867</u>	<u>92,874,512</u>	<u>94,616,108</u>	<u>97,505,844</u>
EXPENDITURES:						
Current:						
General Support	7,410,980	7,648,981	7,169,258	8,704,724	8,610,024	8,213,488
Instruction	51,238,146	52,829,483	49,053,538	50,724,512	55,126,521	56,784,195
Pupil Transportation	5,631,385	5,448,306	5,343,998	5,267,025	5,530,076	5,565,401
Employee Benefits	17,866,865	19,154,285	19,963,215	21,256,838	21,759,201	23,171,227
Debt Service	2,490,009	2,725,664	2,810,599	3,258,754	3,264,250	3,332,354
Total Expenditures	<u>84,637,385</u>	<u>87,806,719</u>	<u>84,340,608</u>	<u>89,211,853</u>	<u>94,290,072</u>	<u>97,066,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,099,538)</u>	<u>(2,825,525)</u>	<u>3,565,259</u>	<u>3,662,659</u>	<u>326,036</u>	<u>439,179</u>
OTHER FINANCING SOURCES (USES):						
Transfers - In	510,000	37,217	57,085	0	0	0
Transfers - Out	<u>(567,504)</u>	<u>(335,362)</u>	<u>(251,610)</u>	<u>(337,268)</u>	<u>(690,250)</u>	<u>(421,323)</u>
Total Other Financing Sources (Uses)	<u>(57,504)</u>	<u>(298,145)</u>	<u>(194,525)</u>	<u>(337,268)</u>	<u>(690,250)</u>	<u>(421,323)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(2,157,042)</u>	<u>(3,123,670)</u>	<u>3,370,734</u>	<u>3,325,391</u>	<u>(364,214)</u>	<u>17,856</u>
Fund Equity - Beginning of Year	15,171,970	13,474,733	10,351,063	13,721,797	17,047,188	16,682,974
Prior Period Adjustments	<u>459,805</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity - End of Year	<u>\$ 13,474,733</u>	<u>\$ 10,351,063</u>	<u>\$ 13,721,797</u>	<u>\$ 17,047,188</u>	<u>\$ 16,682,974</u>	<u>\$ 16,700,830</u>

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VALLEY CENTRAL SCHOOL DISTRICT
GENERAL FUND
BUDGET SUMMARY

	Adopted Budget <u>2017-2018</u>
ESTIMATED REVENUES:	
Real Property Taxes (1)	\$ 59,161,047
Real Property Tax Items	1,641,846
Charges For Services	350,000
Use Of Money & Property	75,000
Sale of Property And Compensation For Loss	400,000
State Aid	37,214,178
Miscellaneous	<u>405,255</u>
TOTAL ESTIMATED REVENUES	<u>99,247,326</u>
APPROPRIATED FUND BALANCE	<u>2,000,000</u>
TOTAL ESTIMATED REVENUES AND APPROPRIATED FUND BALANCE	<u>\$ <u>101,247,326</u></u>
APPROPRIATIONS:	
General Support	8,108,371
Instruction	57,891,299
Pupil Transportation	6,060,942
Employee Benefits	25,367,764
Debt Service	3,458,950
Interfund Transfers	<u>360,000</u>
TOTAL APPROPRIATIONS	<u>\$ <u>101,247,326</u></u>

(1) Inclusive of estimates STAR reimbursement.

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APPENDIX C

**LINK TO
INDEPENDENT AUDITORS' REPORT
THEREON FOR THE FISCAL
YEAR ENDED JUNE 30, 2017**

**Can be accessed on the Electronic Municipal Market Access ("EMMA") website
of the Municipal Securities Rulemaking Board ("MSRB")
at the following link:**

<https://emma.msrb.org/ER1104148-ER863503-ER1264199.pdf>

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

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

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