

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2023

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

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

**VAILS GATE FIRE DISTRICT,
IN THE TOWNS OF NEW WINDSOR AND CORNWALL
ORANGE COUNTY, NEW YORK**

**\$7,000,000 BOND ANTICIPATION NOTES – 2023
(the "Notes")**

Date of Issue: March 29, 2023

Maturity Date: March 29, 2024

The Notes are general obligations of the Vails Gate Fire District, in the Towns of New Windsor and Cornwall, in Orange County, New York (the "Fire District") and will contain a pledge of the faith and credit of the Fire 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 Fire District, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law" herein).

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

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

If the Notes are 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 Fire District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. 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(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Fire 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 Fire 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 "Description of Book-Entry-Only System" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on March 16, 2023 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the Fire District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about March 29, 2023.

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

March , 2023

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**VAILS GATE FIRE DISTRICT,
IN THE TOWNS OF NEW WINDSOR AND CORNWALL
ORANGE COUNTY, NEW YORK**

PO Box 188
Vails Gate, New York 12584
Telephone (845) 561-5511

BOARD OF COMMISSIONERS

Stephen Sager, Chairman

Paul Decker
Anthony DiLorenzo
Salvatore Gigante
Francis Pierri

Marie Stenglein, Fire District Treasurer
Laurie Seymour, Secretary
Kornfeld, Rew, Newman & Simeone, Esqs., Fire District Attorney

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR



Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

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

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OFFICIAL STATEMENT

**VAILS GATE FIRE DISTRICT,
IN THE TOWNS OF NEW WINDSOR AND CORNWALL
ORANGE COUNTY, NEW YORK**

Relating To

**\$7,000,000 BOND ANTICIPATION NOTES - 2023
(the "Notes")**

This Official Statement, including the cover page and appendices thereto, has been prepared by the Fire District and presents certain information relating to the Fire District's \$7,000,000 Bond Anticipation Notes – 2023 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Fire District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Fire District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain. Accordingly, the Fire District's overall economic situation and outlook (and all of the specific Fire District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this world-wide event. (See "RISK FACTORS" and "IMPACT OF COVID-19" herein.)

THE NOTES

Description

The Notes are general obligations of the Fire District. The Fire District has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Fire District, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

The Fire District Treasurer will act as Fiscal Agent for any Notes issued in book-entry form and the purchaser may act as Paying agent for any Notes registered in the name of the purchaser. Paying agent fees, if any, for those Notes registered to the purchaser will be paid by the purchaser(s). The Fire District's contact information is as follows: Marie Stenglein, Fire District Treasurer, Vails Gate Fire District, PO Box 188, Vails Gate, NY 12584, Phone (845) 561-5511, and email: mstenglein57@yahoo.com.

No Optional Redemption

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

Book-Entry System

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, 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 number and will be 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 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”). Standard & Poor’s assigns a rating of “AA+” to DTC. 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 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 or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest 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 affect 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 accounts 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.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the 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 Fire District on the payable date, in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Fire District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fire 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 Fire District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Fire District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

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 Fire District takes no responsibility for the accuracy thereof. In addition, the Fire District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Source: The Depository Trust Company, New York, New York.

Authorization for and Purpose of Notes

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including the Local Finance Law, pursuant to the amendatory Bond Resolution duly adopted by the Board of Commissioners of the Fire District on October 11, 2022, and subsequently approval as a proposition by a majority of the qualified voters of the Fire District voting thereon at the Special Election held on November 15, 2022, to finance the construction of a new firehouse and accessory storage garage. The total estimated cost of the project is \$21,300,000 which is expected to be paid from the following sources: \$19,000,000 in bonds, \$500,000 in existing capital funds and \$1,800,000 of other available funds of the Fire District. The proceeds of the Notes in the amount of \$7,000,000 will be used to provide original financing for the project.

For further information regarding bond authorizations of the Fire District for capital purposes and other matters relating thereto see "*Indebtedness of the Fire District*", herein.

Security and Source of Payment

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

The Notes will be general obligations of the Fire District and will contain a pledge of the faith and credit of the Fire District for the payment of the principal thereof and the interest thereon. The pledge of the faith and credit of municipalities and school districts mandated by Article VIII, Section 2, of the New York Constitution was upheld by the Court of Appeals in several cases decided at the time of the New York City financial crisis in the 1970s and 1980s (see *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 NY 2d 731 (1976) and subsequent cases). The opinion of the Court of Appeals in the *Flushing National Bank* decision states that "...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." In the words of the Court of Appeals, "That is what the words say and this is what the courts have held they mean..." is a clear statement as to the meaning of the pledge of faith and credit. Albeit the pledge of the faith and credit of a fire district (including the Fire District) is not constitutionally mandated, such pledge is required pursuant to the Local Finance Law (Section 100.00) for the incurrence of fire district indebtedness and should be accorded a similar judicial interpretation.

For the payment of such principal of and interest on the Notes, the Fire District has the power and statutory authority to cause the levy of ad valorem taxes on all taxable real property in the Fire District, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

Pursuant to the Section 100.00 of the New York State Local Finance Law, the Fire District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes. The State is precluded from restricting the power of the Fire District to require the levy of taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to cause an increase to its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Towns, on behalf of the Fire District, to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

RISK FACTORS

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

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

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

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

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

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

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

A public health threat such as the COVID-19 pandemic may also affect the operations and/or finances of the Fire District. (See "*Impact of COVID-19*," herein.)

CYBERSECURITY

The Fire District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Fire District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Fire District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Fire District digital networks and systems and the costs of remedying any such damage could be substantial.

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Fire District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. Each Note is a general obligation contract between the Fire District and the owners for which the faith and credit of the Fire District are pledged and while remedies for enforcement of payment are not expressly included in the Fire District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Fire District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. 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. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Fire District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Fire District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Fire District to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Fire District subject to taxation by the Fire District, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Fire District, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Fire District.

Pursuant to Article VIII, Section 2 of the State Constitution, the Fire District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "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. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), 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 the 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 or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the 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.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may 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.

MUNICIPAL BANKRUPTCY

The undertakings of the Fire District should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended (“Chapter IX”) and, in general, to other bankruptcy laws affecting creditors’ rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner’s creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Fire District could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Fire District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Fire District, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Fire District in the future cannot be assured.

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

The above references to the Bankruptcy Act are not to be construed as an indication that the Fire District is currently considering or expects to resort to the provisions of the Bankruptcy Act.

No Past Due Debt

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

THE FIRE DISTRICT

Description

The Vails Gate Fire District was established in 1910 and is located in New Windsor, NY, a suburban community located in Orange County approximately 60 miles north of New York City along the banks of the Hudson River. The Fire District covers 35 square miles and services the Town of New Windsor and a portion of the Town of Cornwall. The total population served is approximately 34,000 residents with thousands of others who work and travel through the community daily. The Town of New Windsor is considered a bedroom community to the NYC metropolitan area with many of the residents commuting to work in NYC region and Northern New Jersey. The main function of the Fire District is to provide primary fire, rescue, and hazard protection services to the residents and thousands of others that travel through and work in the Fire District. The Fire District operates out of two fire stations and covers a mix of single and multifamily dwellings, commercial and industrial buildings, landmarks, hotels, and federal and State structures. Fire District also covers a five-mile portion of the New York State Thruway, Stewart International Airport, the Hudson River, CSX railroad, the busiest freight railroad corridor in the Northeast, and several large fuel oil farms that contain over 27,800,000 gallons of highly flammable fuels. Seven new multi-unit, multi-story senior, veteran, and workforce housing facilities have been constructed in the area.

Form of Government

The Fire District is governed by a five (5) member Board of Fire Commissioners, who are elected to five (5) year terms on a staggered basis. The Chairman of the Board is elected by the Commissioners at the Organizational Meeting held each year within the first fifteen days in January, at which time the Board appoints a Secretary and Treasurer. A volunteer force is responsible for the operation of the Fire Department equipment and apparatus.

Employees

The Fire District has 3 part-time employees, none of which are represented by organized labor units.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Town of New Windsor, Orange County and New York State.

| <u>Year</u> | <u>Town of New Windsor</u> | <u>Orange County</u> | <u>New York State</u> |
|-------------------|--------------------------------|----------------------|-----------------------|
| 1990 | 22,937 | 307,647 | 17,990,455 |
| 2000 | 22,514 | 341,367 | 18,976,457 |
| 2010 | 25,244 | 372,813 | 19,378,102 |
| 2021 ^a | 27,541 | 398,277 | 20,114,745 |

a. Based on American Community Survey 5-year Estimated (2017-2021).

Income Data

Income data are not available for the Fire District as such. The smallest area for which such statistics are available (which includes the Fire District) is the Town of New Windsor. The information set forth below with respect to such Town is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the Fire District is necessarily representative of the Town or vice versa.

| | Per Capita Money Income | | | |
|---------------------|-------------------------|----------|----------|-------------------|
| | 1990 | 2000 | 2010 | 2021 ^a |
| Town of New Windsor | \$44,863 | \$59,207 | \$86,375 | \$117,049 |
| County of Orange | 44,039 | 60,355 | 82,480 | 102,933 |
| State of New York | 39,741 | 51,691 | 67,405 | 92,731 |

| | Median Household Income | | | |
|---------------------|-------------------------|----------|----------|----------|
| | 1990 | 2000 | 2010 | 2015 |
| Town of New Windsor | \$15,843 | \$22,806 | \$31,652 | \$32,845 |
| County of Orange | 15,198 | 21,597 | 28,944 | 31,023 |
| State of New York | 16,501 | 23,389 | 30,948 | 33,236 |

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimates (2017-2021)

Unemployment Rates

| <u>Annual Averages:</u> | <u>Town of New Windsor (%)</u> | <u>Orange County (%)</u> | <u>New York State (%)</u> |
|-------------------------|------------------------------------|------------------------------|-------------------------------|
| 2017 | 4.5 | 4.5 | 4.6 |
| 2018 | 3.9 | 3.9 | 4.1 |
| 2019 | 3.5 | 3.6 | 3.8 |
| 2020 | 8.3 | 8.4 | 10.0 |
| 2021 | 5.0 | 5.0 | 7.2 |
| 2022 | 3.2 | 3.2 | 4.4 |

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE FIRE DISTRICT

Constitutional Requirements. The New York State Constitution (Article VIII, Section 2) does not directly address the power of fire districts, including the Fire District, to contract indebtedness and the levy of taxes upon real estate in support thereof (although Article VIII, Section 3 thereof excludes, inter alia, fire districts from limitations imposed therein upon municipal or other corporations possessing the power to contract indebtedness or to levy or require the levy of taxes or benefit assessments upon real estate).

Local Finance Law Requirements. The New York State Local Finance Law limits the power of the Fire District (and municipalities, school and other fire districts of the State) to issue obligations and contract indebtedness. Such limitations include the following, in summary form, and are generally applicable to the Fire District and the Notes.

Purpose and Pledge. Pursuant to the Local Finance Law, the Fire 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 Fire District may contract indebtedness only for a Fire 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 in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Fire District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Fire District is required to provide an annual appropriation for the payment of interest due during the fiscal 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 Fire District is subject to certain statutory limitations restricting the powers of the Fire District in the areas of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Fire District, so as to prevent abuses in the exercise of such powers. As has been noted under "*Security and Source of Payment*", the State Legislature is prohibited from restricting the power of the Fire District to cause the levy of taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Fire District to cause the levy of certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

Statutory Procedure

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

Pursuant to the Local Finance Law, the Fire District authorizes the issuance of bonded indebtedness by the adoption of a bond resolution approved by a vote of at least three-fifths of the entire membership of the Board of Fire Commissioners, which, pursuant to the Local Finance Law, is the finance board of the Fire District. All of such resolutions are subject to referendum.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, appropriates the requisite funds, authorizes the issuance of serial bonds to finance the appropriation, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect to such object or purpose.

Each bond resolution also provides for the authorization of the issuance of bond anticipation notes prior to the issuance of the subject serial bonds. Statutory law in New York permits notes to be renewed each year provided that (i) amortization of principal commences within two years of the date of incurrence of the debt, and, (ii) such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

The Local Finance Law also provides for a twenty-day statute of limitations commenced by publication of the bond resolution or a summary thereof, following its effective date which, in effect, thereafter estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Fire District has complied with such requirement with respect to the amendatory bond resolution authorizing the issuance of the Notes.

In addition, pursuant to the bond resolution, the Board of Fire Commissioners may delegate to the Fire District Treasurer, the chief fiscal officer of the Fire District, the power to issue and sell bonds and bond anticipation notes.

In general, the Local Finance Law contains similar provisions providing the Fire District with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes, subject to the prescribed statutory procedures and limitations.

Debt Limit. The Fire District has the power to contract indebtedness for any Fire District purpose authorized by the Legislature of the State so long as the aggregate principal amount thereof shall not exceed three per centum (3.00%) of the full valuation of taxable real property of the Fire District, except as otherwise provided by the New York Local Finance Law, and subject to certain enumerated exclusions and deductions such as cash or appropriations for principal of debt. The three per centum limit may be exceeded if the proposition for approval of the bond resolution is approved by a two-thirds vote of the qualified voters of the Fire District and the State Comptroller consents thereto. The method for determining full valuation is by taking the assessed valuation of taxable real property for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

There is no constitutional limitation on the amount that may be raised by the Fire District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Fire District to increase its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Fire District to cause the levy of certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

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The following table sets forth the computation of the debt limit of the Fire District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of March 8, 2023)

| <u>In Towns of:</u> | <u>Assessed Valuation</u> | <u>State Equalization Rate (%)</u> | <u>Full Valuation</u> |
|---|-------------------------------|--|----------------------------|
| New Windsor (2021-2022) ^a | \$324,971,581 | 12.63 | \$2,573,013,310 |
| Cornwall (2021-2022) ^a | 133,980,172 | 75.45 | 177,574,781 |
| | <u>\$458,951,753</u> | | <u>\$2,750,588,090</u> |
| Debt Limit - 3% of Full Valuation | | | \$82,517,643 |
| Inclusions: | | | |
| Outstanding Bonds | | | 0 |
| Outstanding Bond Anticipation Notes | | | 0 |
| Total Indebtedness | | | <u>0</u> |
| Exclusions | | | |
| Bond Appropriations | | | 0 |
| Note Appropriations | | | 0 |
| Total Exclusions | | | <u>0</u> |
| Total Net Indebtedness Before Issuing the Notes | | | <u>0</u> |
| The Notes | | | 7,000,000 |
| Less: BANs Being Redeemed by the Notes | | | 0 |
| Net Effect of the Notes | | | <u>7,000,000</u> |
| Total Net Indebtedness After Issuing the Notes | | | <u>7,000,000</u> |
| Net Debt Contracting Margin | | | <u><u>\$75,517,643</u></u> |
| Per Cent of Debt Contracting Margin Exhausted | | | 8.48% |

a. The latest completed assessment roll for which a State Equalization Rate has been established.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Fire District has no short-term debt outstanding.

Trend of Outstanding Indebtedness

| | Fiscal Year Ending December 31: | | | | |
|-------------------------------|---------------------------------|------------------|------------------|------------------|------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Bonds | \$750,000 | \$550,000 | \$350,000 | \$150,000 | \$0 |
| BANs | 0 | 0 | 0 | 0 | 0 |
| Total Debt Outstanding | \$750,000 | \$550,000 | \$350,000 | \$150,000 | \$0 |

Source: Financial Statements of the Fire District

Debt Service Requirements - Outstanding Bonds

As of the date of this Official Statement, the Fire District does not have any long-term debt outstanding.

Authorized but Unissued Debt

The Fire District has authorized but unissued debt in the aggregate amount of \$19,000,000 for the construction of a new fire house and storage garage. The Notes will finance \$7,000,000 of such authorized amount. (See "Authorization for and Purpose of Notes" herein.)

Calculation of Estimated Overlapping and Underlying Indebtedness

| <u>Overlapping Units</u> | <u>Date of Report</u> | <u>Percentage Applicable (%)</u> | <u>Applicable Total Indebtedness</u> | <u>Applicable Net Indebtedness</u> |
|---------------------------|-----------------------|----------------------------------|--------------------------------------|------------------------------------|
| County of Orange | 10/17/2022 | 6.06 | \$ 14,111,558 | \$ 13,737,959 |
| Town of New Windsor | 05/24/2022 | 98.43 | 27,329,089 | 9,198,283 |
| Town of Cornwall | 06/15/2022 | 8.65 | 532,840 | 505,593 |
| Newburgh Enlarged City SD | 12/27/2022 | 50.13 | 14,246,946 | 13,159,125 |
| Cornwall CSD | 08/11/2022 | 77.20 | 29,007,900 | 29,007,900 |
| Washingtonville CSD | 12/16/2022 | 98.89 | 48,881,327 | 48,881,327 |
| Totals | | | \$134,109,660 | \$114,490,187 |

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios (As of March 8, 2023)

| | <u>Amount</u> | <u>Per Capita^a</u> | <u>Percentage of Full Value (%)^b</u> |
|--|---------------|-------------------------------|---|
| Total Direct Debt | \$ 0 | \$ 0 | 0.000 |
| Net Direct Debt | 0 | 0 | 0.000 |
| Total Direct & Applicable Total Overlapping Debt | 134,109,660 | 3,944 | 4.876 |
| Net Direct & Applicable Net Overlapping Debt | 114,490,187 | 3,367 | 4.162 |

- a. The current population of the Fire District is 34,000.
b. The full valuation of taxable property is \$2,750,588,090.

FINANCES OF THE FIRE DISTRICT

Independent Audit

The financial affairs of the Fire District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Fire District has complied with the requirements of various state and federal statutes. The financial statements of the Fire District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended December 31, 2021. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

The Board of Fire Commissioners of the Fire District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Fire District are made in accordance with such policy.

Service Award Program

The Fire District established a defined benefit Service Award Program (referred to as a “LOSAP” – length of service award program – under Section 457(e)(11) of the Internal Revenue Code) effective March 1, 1991 for the active volunteer firefighter members of the Fire District. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Fire District is the sponsor of the program and VFIS is the program administrator.

Under the program, participating volunteers begin to be paid a service award upon attainment of the program “entitlement age”. The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Active volunteer firefighters who have reached the age of 18 and who have completed the sponsor's probationary period are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with one year of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is 55. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Fire Department.

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$30 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 40 years under the program.

Currently, there are no other forms of payment of a volunteer's earned service award under the program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the greater of \$10,000 or the actuarial value of the participant's earned service award at the time of death or disablement. All death and disability benefits are "self insured" and are paid from the program trust fund.

The Fire District contributions to the LOSAP since 2017 are follows:

| Fiscal Year Ending | <u>LOSAP</u> |
|---------------------|--------------|
| <u>December 31:</u> | |
| 2017 | \$155,793 |
| 2018 | 170,156 |
| 2019 | 234,916 |
| 2020 | 267,413 |
| 2021 | 281,526 |
| 2022 (Budget) | 290,000 |
| 2023 (Budget) | 320,000 |

Sources: Audited Financial Statements and Fire Districts Officials.

Budgetary Procedures

The Board of Fire Commissioners, with the assistance of the Fire District Treasurer, prepares a budget each year. The budget is then adopted by the Board as its final budget for the coming fiscal year. The budget is not subject to referendum unless the operating portion exceeds the limitations provided by law. The budget is submitted to the Town of Islip and the Town is specifically prohibited from making any change in the Fire District budget, which is included in the Town budget. Following adoption by the Town Board such budget becomes the adopted budget of the Town, which levies and collects taxes for Fire District purposes.

Revenues

The Fire District receives most of its revenue from a real property tax on all non-exempt real property situated within the Fire District. A summary of such revenues for the five most recently completed fiscal years and the amounts budgeted for 2022 and 2023 may be found in Appendix A.

Real Property Taxes

See "*Tax Information*", herein.

Expenditures

A summary of such Expenditures for the five most recently completed fiscal years and the amounts budgeted for 2022 and 2023 may be found in Appendix A.

TAX INFORMATION

Real Property Taxes

Methods and procedures to require the levy, collection and enforcement of this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the Fire District are prepared by the Town. Assessment valuations are determined by the Town assessor and the State Office of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Office of Real Property Services annually establishes State Equalization Rates for all localities in the State, 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 by many localities in the calculation or debt contracting and real property taxing limitations. The Fire District is not subject to constitutional real property taxing limitations. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy. As a result, the power of the Fire District to cause the levy of real estate taxes on all the taxable real property within the Fire District is subject to statutory limitations set forth in Tax Levy Limit Law.

The following table sets forth the percentage of the Fire District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, inclusive and the amounts budgeted for the 2022 and 2023 fiscal years.

| Fiscal Year Ending <u>December 31:</u> | <u>Total Revenue</u> | Real Property <u>Taxes</u> | Real Property Taxes to <u>Revenues (%)</u> |
|---|----------------------|-------------------------------|--|
| 2017 | \$1,322,595 | \$1,207,015 | 91.26 |
| 2018 | 1,507,388 | 1,230,957 | 81.66 |
| 2019 | 1,655,225 | 1,436,968 | 86.81 |
| 2020 | 1,797,407 | 1,467,307 | 81.63 |
| 2021 | 2,078,736 | 1,746,152 | 84.00 |
| 2022 (Budgeted) | 2,241,500 | 2,241,500 | 100.00 |
| 2023 (Budgeted) | 2,437,600 | 2,437,600 | 100.00 |

Sources: Audited Financial Statements (2017-2021) and Adopted Budgets of the Fire District (2022-2023).

Tax Collection Procedure

Real property taxes are levied and collected on behalf of the Fire District by the Town. The Town tax bills are mailed out at the end of December and are due on or before January 31st. If the payment is not received by January 31st, the payment penalty added to the tax bill is as indicated for the month paid: February 1%, March 2%. In April the unpaid property taxes are returned to the County and the County is responsible for collecting them.

According to the County Tax Code, the Town must remit fire taxes collected on behalf of the Fire District to the Fire District by the fifth day of the month following collection. In addition, the Town is obligated to pay the Fire District the full amount of its tax levy in each year. The Fire District is therefore guaranteed 100% of its real property tax during any fiscal year.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011, as amended (the "*Tax Levy Limit Law*") all the taxable real property within the Fire District had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Fire District and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Fire District for any fiscal year commencing after January 1, 2012, without providing an exclusion for debt service on obligations issued by the Fire District. As a result, the power of the Fire District to cause the levy of real estate taxes on all the taxable real property within the Fire District, to pay the principal of and interest on the Notes, is subject to the statutory limitations imposed by the Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Fire District, subject to certain exceptions. The Tax Levy Limit Law permits the Fire District to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Fire District is required to calculate its tax levy limit for the upcoming year in accordance with the provisions above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Fire District, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Fire District. The Board of Fire Commissioners of the Fire District can adopt a resolution, approved by a vote of sixty percent of the total voting power of the Board of Fire Commissioners, to override the tax levy limit for a given year.

There can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating applicable law (i) for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) by limiting the pledge of its faith and credit by a fire district for the payment of debt service on obligations issued by such fire district because the Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Fire District or such indebtedness incurred after the effective date of the Tax Levy Limit Law.

Valuations, Rates and Levies

A summary of Valuations and Levies may be found in Appendix A.

Selected Listing of Large Taxable Properties 2021-22 Assessment Roll

| <u>Name</u> | <u>Type</u> | <u>Assessed Valuation</u> |
|-------------------------------|---------------------------------|-------------------------------|
| Central Hudson Gas & Electric | Utility | \$13,514,842 |
| NY State DEC | Taxable State Owned Lands | 6,551,200 |
| DRA Fidelco New Windsor, LLC | Apartment Complex | 4,541,200 |
| BHC Big V, LLC | Retail Shopping Center | 4,442,000 |
| First Columbia | Office & Manufacturing Park | 4,106,300 |
| City of Newburgh | Water Supply & Filtration Plant | 3,089,700 |
| Knox Village Associates | Apartment Complex | 2,614,400 |
| LSI-Lightron | Manufacturing | 1,831,300 |
| VGR Associates | Retail Shopping Center | 1,715,500 |
| Scenic Properties LLC | Manufacturing | 1,520,800 |
| | | \$43,927,242 |

a. Represents 9.57 % of the 2021-22 Assessed Valuation of the Fire District.

LITIGATION

In common with other fire districts, the Fire District from time to time may receive notices of claim and is party to litigation. Currently, in the opinion of the Fire District attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending in which the Fire District has not asserted and/or has the ability to assert a substantial and adequate defense, no which, if determined against the Fire District, would have a substantial adverse material effect on the financial condition of the Fire District

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Fire District's financial condition and operating results in various ways, including by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency which has since been terminated and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The impact to the Fire District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to the COVID-19 outbreak's (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The resurgence could have a material adverse effect on the State and municipalities and school districts located in the State, including the Fire District. The Fire District does not expect the COVID-19 pandemic to have a material adverse effect on the financial condition of the Fire District. The Fire District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the Fire District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Fire District in connection with the Notes, and Bond Counsel has assumed compliance by the Fire District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Fire District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Fire District, in executing the Tax Certificate, will certify to the effect that the Fire District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Note should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Fire District with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the form set forth in Appendix C.

DISCLOSURE UNDERTAKING

This Official Statement is in a form “deemed final” by the Fire District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the Fire District will provide an executed copy of its “Undertaking to Provide Notices of Events” (the “Undertaking”) substantially in the form set forth in Appendix D.

RATING

The Notes are not rated. The Fire District does not presently have a credit rating because it does not have any long-term debt.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Fire District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Fire District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Fire District or the information set forth in this Official Statement or any other information available to the Fire District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Marie Stenglein, Fire District Treasurer, Vails Gate Fire District in the Towns of New Windsor and Cornwall, PO Box 188, Vails Gate, NY 12584, Phone (845) 561-5511, and email: mstenglein57@yahoo.com or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. 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. Munistat Services, Inc. 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 Fire District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Fire 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. Munistat Services, Inc. and the Fire District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

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

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Fire District which delegates to the Fire District Treasurer the power to sell and issue the Notes.

By: s/s MARIE STENGLEIN
Fire District Treasurer
Vails Gate Fire District, in the Towns of New Windsor
and Cornwall
Vails Gate, New York

APPENDIX A

FINANCIAL INFORMATION

**Statement of Revenues, Expenditures & Changes in Fund Balance
General Fund**

| | Fiscal Year Ended December 31: | | | | |
|---|--------------------------------|-------------------|---------------------|------------------------|---------------------|
| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
| Revenues: | | | | | |
| Real Property Taxes | \$ 1,207,015 | \$ 1,230,957 | \$ 1,436,968 | \$ 1,467,307 | \$ 1,746,152 |
| Payments in Lieu of Taxes | 19,986 | 20,090 | 22,163 | 22,459 | 26,497 |
| Fire Protection Services | 87,485 | 89,812 | 98,532 | 97,194 | 114,848 |
| Interest & Earnings | 1,099 | 1,281 | 1,507 | 77,033 | 84,234 |
| Insurance Recoveries | | 100,877 | | | |
| Sale of Assets | | 30,000 | | | |
| Miscellaneous | 7,010 | 7,015 | 46,055 | 7,010 | 7,005 |
| Federal Aid | | 27,356 | 50,000 | 126,404 | 100,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues | 1,322,595 | 1,507,388 | 1,655,225 | 1,797,407 | 2,078,736 |
| Expenditures: | | | | | |
| General Government Support | 6,248 | 311 | 4,242 | 1,984 | 317 |
| Fire - Personal Service | 19,200 | 19,200 | 19,200 | 19,200 | 21,600 |
| Fire - Equipment & Capital Outlay | 232,546 | 146,447 | 167,325 | 103,331 | 177,273 |
| Fire - Contractual Expenditures | 580,028 | 676,982 | 798,339 | 814,477 | 749,313 |
| Local Pension Fund | 163,835 | 173,796 | 238,511 | 76,600 | 100,899 |
| Social Security - Employer Contributions | 1,469 | 1,469 | 1,459 | 1,469 | 1,652 |
| Workers Compensation | 93,542 | 82,208 | 89,459 | 42,487 | 73,205 |
| Life Insurance | 7,136 | 3,400 | 3,578 | 3,780 | 4,009 |
| Unemployment Insurance | 165 | 173 | | | |
| Disability Insurance | 156 | | | 89 | 89 |
| Debt Principal - BAN | 120,000 | | 200,000 | 200,000 | 200,000 |
| Debt Interest - BAN | 1,044 | | 17,732 | 12,375 | 6,965 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 1,225,369 | 1,103,986 | 1,539,845 | 1,275,792 | 1,335,322 |
| Other Financing Sources/(Uses): | | | | | |
| Interfund Transfer In | 370,250 | 222,860 | 150,000 | 123,073 | 153,690 |
| Interfund Transfer Out | (244,628) | (354,217) | (150,000) | (123,073) | (581,235) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Detail Other Financing Sources/(Uses) | 125,622 | (131,357) | 0 | 0 | (427,545) |
| Excess (Deficiency) of Revenues Over Expenditures & Other Uses | | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Equity Beginning of Year | 462,501 | 685,349 | 957,394 | 1,072,774 | 3,956,299 |
| Prior Period Adjustment | | | | 2,361,910 ^a | |
| Fund Equity End of Year | <u>\$ 685,349</u> | <u>\$ 957,394</u> | <u>\$ 1,072,774</u> | <u>\$ 3,956,299</u> | <u>\$ 4,272,168</u> |

a. Cumulative Effect Adjustment:

Effective January 1, 2020, the District changed the reporting of its LOSAP program from fiduciary to governmental in accordance with the November 2020 bulletin issued by the Office of the New York State Comptroller entitled "Accounting and Financial reporting for Fiduciary Activities as Required by GASB Statement 84". The effect of this change was to remove the LOSAP asset and liability from the Agency Fund and to record the LOSAP asset and restricted fund balance in the General Fund. All LOSAP activity is now also recorded in the General Fund.

Note: This Schedule is not Audited.

Source: Audited Annual Financial Reports (2017-2021)

Balance Sheet
General Fund

| | Fiscal Year Ended December 31: | |
|-----------------------------------|--------------------------------|--------------|
| | 2020 | 2021 |
| Assets: | | |
| Cash | \$ 181,135 | \$ 357,308 |
| Cash - Special Reseves | 1,068,609 | 1,072,825 |
| Service Award Program | 2,628,323 | 2,892,468 |
| Other Current Assets | | 9,400 |
| Due fom Other Funds | 96,632 | |
| Prepaid Expenses | 1,380 | |
| Total Assets | 3,976,079 | \$ 4,332,001 |
| Liabilities: | | |
| Accounts Payable | 19,780 | \$ 59,560 |
| Other Liabilities | | 273 |
| Total Liabilities | 19,780 | 59,833 |
| Fund Balance and Other Credits: | | |
| Nonspendable | 1,380 | 9,400 |
| Restricted | 3,709,803 | 3,984,057 |
| Unassigned | 245,116 | 278,711 |
| Total Fund Equity | 3,956,299 | 4,272,168 |
| Total Liabilities and Fund Equity | 3,976,079 | \$ 4,332,001 |

Note: This Schedule is not Audited.

Source: Audited Annual Financial Reports (2020-2021)

BUDGET SUMMARIES

| | Fiscal Year Ended December 31: | |
|------------------------------------|--------------------------------|---------------------|
| | <u>2022</u> | <u>2023</u> |
| Revenues: | | |
| Real Property Taxes & Tax Items | \$ 2,241,500 | \$ 2,437,600 |
| Total Revenues | <u>\$ 2,241,500</u> | <u>\$ 2,437,600</u> |
| Expenditures: | | |
| Salaries | \$ 50,000 | \$ 75,000 |
| Contracted/Other Expenses | 1,707,500 | 1,877,600 |
| Fire Protection District Contracts | 109,000 | 70,000 |
| Service Award Program | 290,000 | 320,000 |
| Workers Compensation | 75,000 | 85,000 |
| Life Insurance | <u>10,000</u> | <u>10,000</u> |
| Total Expenditures | <u>\$ 2,241,500</u> | <u>\$ 2,437,600</u> |

Source: Adopted Budgets of the Fire District.

VALUATIONS

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Town of New Windsor: | | | | | |
| Assessed Valuation \$ | 317,728,391 | 319,046,058 | 324,627,404 | 325,508,604 | 324,971,581 |
| Equalization Rate | 16.50% | 15.48% | 15.31% | 14.49% | 12.63% |
| Full Valuation | 1,925,626,612 | 2,061,021,047 | 2,120,361,881 | 2,246,436,190 | 2,573,013,310 |
| Town of Cornwall: | | | | | |
| Assessed Valuation \$ | 128,199,638 | 130,793,097 | 132,722,763 | 133,634,845 | 133,980,172 |
| Equalization Rate | 100.00% | 95.00% | 95.23% | 93.00% | 75.45% |
| Full Valuation | 128,199,638 | 137,676,944 | 139,370,748 | 143,693,382 | 177,574,781 |
| Totals: | | | | | |
| Assessed Valuation \$ | 445,928,029 | 449,839,155 | 457,350,167 | 459,143,449 | 458,951,753 |
| Full Valuation | 2,053,826,250 | 2,198,697,991 | 2,259,732,629 | 2,390,129,572 | 2,750,588,090 |

VAILS GATE FIRE DISTRICT, IN THE TOWNS OF NEW WINDSOR AND CORNWALL

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE FIRE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

FINANCIAL REPORT
Audited
VAILS GATE FIRE DISTRICT
December 31, 2021

Audited for:
Board of Fire Commissioners
Vails Gate Fire District

Audited by:
RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

VAILS GATE FIRE DISTRICT

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Vails Gate Fire District
P.O. Box 173
Vails Gate, NY 12584

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Vails Gate Fire District, (the "District"), which comprise the balance sheet - modified accrual basis for each fund and account group as of December 31, 2021 and the related statements of results of operation and changes in fund balance - modified accrual basis and budgetary comparison - modified accrual basis, for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the District as of December 31, 2021, and their respective results of operation and budgetary results for the year then ended, in accordance with the modified accrual basis of accounting described in Note I C.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note I C of the financial statements, which describes the basis of accounting. As described in Note I C to the financial statements, the financial statements are prepared on the modified accrual basis of accounting as prescribed by New York State for the preparation of the District's annual financial report, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New York State. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting as prescribed by New York State for the preparation of the Fire District's annual financial report; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis and Fire District Questionnaire but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on work performed, we conclude that an uncorrected material misstatement of other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RBT CPAs, LLP

Newburgh, NY
September 9, 2021

VAILS GATE FIRE DISTRICT

OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The accompanying management discussion and analysis of the Vails Gate Fire District's financial performance has been prepared to provide an overview of the District's financial activities for the fiscal year ended December 31, 2021. This discussion and analysis is only an introduction and should be read in conjunction with the District's financial statements.

Requests For Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board of Fire Commissioners at the Vails Gate Fire District, P.O. Box 173, Vails Gate, NY 12584.

Financial Highlights

- As of the close of the current fiscal year, the Vails Gate Fire District's governmental funds reported a combined ending fund balance of \$4,122,168, an increase of \$612,501 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$278,711.
- Real Property taxes increased by \$278,845 in 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Vails Gate Fire District's financial statements. The District's financial statements consist of two components: 1) fund and account group financial statements and 2) notes to the financial statements. In addition to the financial statements, this report contains other information which will enhance the reader's understanding of the Vails Gate Fire District.

Financial Statements

The statements consist of the Fund and Account Group Financial Statements. These statements focus on the activities of the individual parts of the District. There are three parts to the Fund Financial Statements: 1) the balance sheet, 2) the results of operation and changes in fund balance and 3) the budgetary comparison statement.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in these statements.

Financial Analysis of the Vails Gate Fire District Funds

The Vails Gate Fire District, like all other governmental entities in New York, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as General Municipal Law. All of the funds of the District are classified as governmental funds.

Governmental Funds: The focus of the Vails Gate Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Vails Gate Fire District's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Vails Gate Fire District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$278,711.

At December 31, 2021, the governmental funds of the Vails Gate Fire District reported a combined fund balance of \$4,122,168, a 17.45% percent increase over last year's fund balance.

The District sponsors a Length of Service Award Program ("LOSAP"). These assets are recorded in the General Fund.

Budgetary Highlights

General Fund actual revenues exceeded budgeted revenues by \$117,210 due to the interest of the Service Award Program reported in the General Fund. General Fund actual expenditures were \$625,678 less than budgeted expenditures primarily due to the equipment, capital outlay and contractual expenditures being less than anticipated.

VAILS GATE FIRE DISTRICT

Capital Assets

Capital Assets: The District's investment in capital assets as of December 31, 2021 totaled \$5,628,846. These assets include machinery, equipment, and construction work in progress.

Debt: As of December 31, 2021, the Vails Gate Fire District had general obligation debt outstanding of \$150,000. The debt is backed by the full faith and credit of the District. The District's total debt decreased by \$200,000 during the 2021 fiscal year.

For more detailed information on capital assets and debt see the notes to the financial statements.

CONDENSED FINANCIAL INFORMATION

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Balance Sheet Information: | | |
| Current Assets | \$ 4,332,001 | \$ 3,976,079 |
| Non-Current Assets | \$ 5,628,846 | \$ 5,272,861 |
| Current Liabilities | \$ 59,560 | \$ 116,412 |
| General Obligation Debt | \$ 150,000 | \$ 350,000 |
| Fund Balances: | | |
| Nonspendable | \$ 9,400 | \$ 1,380 |
| Restricted | \$ 3,984,057 | \$ 3,709,803 |
| Unassigned | \$ 128,711 | \$ (201,516) |
| Statement of Operations: | | |
| Revenue: | | |
| Property Tax Revenue | \$ 1,746,152 | \$ 1,467,307 |
| Other Revenue | 532,584 | 530,100 |
| Total Revenue | <u>2,278,736</u> | <u>1,997,407</u> |
| Expenditures: | | |
| Fire - Personal Service | 21,600 | 19,200 |
| Fire - Equipment and Capital Outlay | 508,186 | 199,963 |
| Fire - Contractual Expenditures | 749,313 | 814,477 |
| Local Pension Fund | 100,899 | 76,600 |
| Social Security - Employer Contributions | 1,652 | 1,469 |
| Workers Compensation | 73,205 | 42,487 |
| Life Insurance | 4,009 | 3,780 |
| Disability Insurance | 89 | 89 |
| Debt Principal and Interest | 206,965 | 212,375 |
| Other Expenditures | 317 | 1,984 |
| Total Expenditures | <u>1,666,235</u> | <u>1,372,424</u> |
| Change in Fund Balance | <u>\$ 612,501</u> | <u>\$ 624,983</u> |

VAILS GATE FIRE DISTRICT

BALANCE SHEET - MODIFIED ACCRUAL BASIS - ALL FUND TYPES AND ACCOUNT GROUPS

| As of December 31, 2021 | Governmental Fund Type | | Account Group |
|--|------------------------|---------------------|-------------------------|
| ASSETS AND OTHER DEBITS | General | Capital Projects | General Fixed Assets |
| Assets: | | | |
| Cash | \$ 357,308 | \$ - | \$ - |
| Cash, Special Reserves | 1,072,825 | - | - |
| Service Award Program Assets (Note II A) | 2,892,468 | - | - |
| Other Current Assets | 9,400 | - | - |
| Capital Assets (Note II B) | - | - | 5,628,846 |
| Total Assets and Other Debits | \$ 4,332,001 | \$ - | \$ 5,628,846 |

LIABILITIES, FUND BALANCE AND OTHER CREDITS

| | | | |
|--|---------------------|------------------|---------------------|
| Liabilities: | | | |
| Accounts Payable | \$ 59,560 | \$ - | \$ - |
| BAN Payable | - | 150,000 | - |
| Other Liabilities | 273 | - | - |
| Total Liabilities | 59,833 | 150,000 | - |
| Fund Balance and Other Credits: | | | |
| Investments in Non-Current Governmental Assets | - | - | 5,628,846 |
| Nonspendable Fund Balance | 9,400 | - | - |
| Restricted Fund Balance | 3,984,057 | - | - |
| Unassigned Fund Balance | 278,711 | (150,000) | - |
| Total Fund Balance and Other Credits | 4,272,168 | (150,000) | 5,628,846 |
| Total Liabilities, Fund Balance and Other Credits | \$ 4,332,001 | \$ - | \$ 5,628,846 |

See Notes to Financial Statements.

VAILS GATE FIRE DISTRICT

**RESULTS OF OPERATION AND CHANGES IN FUND BALANCE - MODIFIED ACCRUAL BASIS -
GOVERNMENTAL FUNDS**

| For the Year Ended December 31, 2021 | General | Capital Projects |
|--|---------------------|-------------------------|
| Revenues: | | |
| Real Property Taxes | \$ 1,746,152 | \$ - |
| Payments in Lieu of Taxes | 26,497 | - |
| Fire Protection Services Other Governments | 114,848 | - |
| Interest and Earnings | 84,234 | - |
| Miscellaneous | 7,005 | - |
| Federal Aid | 100,000 | - |
| BANS Redeemed from Appropriations | - | 200,000 |
| Total Detail Revenues | 2,078,736 | 200,000 |
| Expenditures: | | |
| General Government Support | 317 | - |
| Fire - Personal Service | 21,600 | - |
| Fire - Equipment and Capital Outlay | 177,273 | 330,913 |
| Fire - Contractual Expenditures | 749,313 | - |
| Local Pension Fund | 100,899 | - |
| Social Security - Employer Contributions | 1,652 | - |
| Workers Compensation | 73,205 | - |
| Life Insurance | 4,009 | - |
| Disability Insurance | 89 | - |
| Debt Principal - BAN | 200,000 | - |
| Debt Interest - BAN | 6,965 | - |
| Total Detail Expenditures | 1,335,322 | 330,913 |
| Other Financing Sources/(Uses): | | |
| Interfund Transfers In | 153,690 | 427,545 |
| Interfund Transfers Out | (581,235) | - |
| Total Detail Other Financing Sources/(Uses) | (427,545) | 427,545 |
| Changes in Fund Balance | 315,869 | 296,632 |
| Fund Balance - Beginning | 3,956,299 | (446,632) |
| Fund Balance - Ending | \$ 4,272,168 | \$ (150,000) |

See Notes to Financial Statements.

VAILS GATE FIRE DISTRICT

**BUDGETARY COMPARISON STATEMENT - MODIFIED ACCRUAL BASIS -
GOVERNMENTAL FUNDS**

| For the Year Ended December 31, 2021 | Budgeted Amounts | Actual Amounts Modified Accrual Basis | Variance with Budget |
|--|---------------------|---|-------------------------|
| GENERAL | | | |
| Revenues: | | | |
| Real Property Taxes | \$ 1,746,176 | \$ 1,746,152 | \$ (24) |
| Payments in Lieu of Taxes | - | 26,497 | 26,497 |
| Fire Protection Services Other Governments | 114,824 | 114,848 | 24 |
| Interest and Earnings | - | 83,708 | 83,708 |
| Miscellaneous | - | 7,005 | 7,005 |
| Federal Aid | 100,000 | 100,000 | - |
| Total Detail Revenues | 1,961,000 | 2,078,210 | 117,210 |
| Expenditures: | | | |
| General Government Support | - | 317 | (317) |
| Fire - Personal Service | 50,000 | 21,600 | 28,400 |
| Fire - Equipment and Capital Outlay | 522,000 | 177,273 | 344,727 |
| Fire - Contractual Expenditures | 1,033,100 | 749,313 | 283,787 |
| Local Pension Fund | 275,000 | 100,899 | 174,101 |
| Social Security - Employer Contributions | - | 1,652 | (1,652) |
| Workers Compensation | 70,900 | 73,205 | (2,305) |
| Life Insurance | 10,000 | 4,009 | 5,991 |
| Disability Insurance | - | 89 | (89) |
| Debt Principal - BAN | - | 200,000 | (200,000) |
| Debt Interest - BAN | - | 6,965 | (6,965) |
| Total Detail Expenditures | 1,961,000 | 1,335,322 | 625,678 |
| Other Financing Uses: | | | |
| Interfund Transfers Out | - | (431,235) | (431,235) |
| Total Detail Other Financing Uses | - | (431,235) | (431,235) |
| Changes in Fund Balance | - | 311,653 | 311,653 |
| General Fund Balance - Beginning | 2,887,690 | 2,887,690 | - |
| General Fund Balance - Ending | \$ 2,887,690 | \$ 3,199,343 | \$ 311,653 |
| RESERVE | | | |
| Revenues: | | | |
| Interest and Earnings | \$ - | \$ 526 | \$ 526 |
| Other Financing Sources/(Uses): | | | |
| Interfund Transfers In | - | 153,690 | 153,690 |
| Interfund Transfers Out | - | (150,000) | (150,000) |
| Total Detail Other Financing Sources/(Uses) | - | 3,690 | 3,690 |
| Changes in Fund Balance | - | 4,216 | 4,216 |
| Reserve Fund Balance - Beginning | 1,068,609 | 1,068,609 | - |
| Reserve Fund Balance - Ending | \$ 1,068,609 | \$ 1,072,825 | \$ 4,216 |

See Notes to Financial Statements.

VAILS GATE FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Vails Gate Fire District (the "District"), was established August 1, 1979 and is governed by the general laws of the State of New York (the "State"). The Board of Fire Commissioners is the legislative body responsible for overall operations.

The notes to the financial statements are an integral part of the statements and are intended to be read with them.

A. ENTITY DEFINITION CRITERIA FOR FINANCIAL REPORTING PURPOSES

All activities and functions performed for the Vails Gate Fire District are its direct responsibility. No other organizations have been included or excluded from the reporting entity. The financial reporting entity includes organizations, functions, and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management and accountability for fiscal matters.

B. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain types of functions or activities.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the District.

1. FUND TYPES:

- a. Governmental Fund Types - are those through which most general functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.
 - i. General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.
 - ii. Reserve Fund - The Reserve Fund is designed to segregate resources to provide for future contingencies and plan for major capital outlays, thereby reducing the need to rely on borrowing or outlays of current revenue to finance such events. For financial reporting purposes, the Reserve Fund is included in the General Fund.
 - iii. Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets. The fund's principal source of financing is proceeds from borrowing.

2. ACCOUNT GROUPS:

Account groups are used to establish accounting control and accountability for non-current governmental assets and liabilities. The account group is not a "fund". They are concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

General Fixed Assets Account Group - This account group is established to account for the land, buildings, improvements, and other equipment utilized by the District for general operating purposes.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the District. It accounts for assets presently available for retirement of such indebtedness and the amount to be raised in future years to retire those debt obligations. The District does not currently use this account group.

VAILS GATE FIRE DISTRICT

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The financial statements were prepared on the modified accrual basis of accounting as prescribed by New York State for the preparation of the Fire District annual financial report, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Basis of accounting refers to when revenues, expenditures, and transfers - and the related assets and liabilities - are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Measurement focus is the determination of what should be measured. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus.

This measurement focus means that only current assets and current liabilities are generally included on their balance sheets. Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Real property taxes are recognized as revenue during the corresponding tax year. The taxes are collected in full during the period earned; therefore, no receivable is necessary. Penalties and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Donated services are not reflected in this financial statement. The value of services performed by the volunteer firefighters has not been determined by the District and is not recorded.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due, and any service or payroll related taxes, fringes, and benefits, which vest or accumulate, which are charged as an expenditure when paid or when they are to be paid with currently available resources.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current assets and liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type assets or liabilities. They are instead reported as assets in the General Fixed Assets Account Group or as liabilities in the General Long-Term Debt Account Group. Amounts paid to acquire capital assets or retire long-term debt are recorded as expenditures in the governmental funds.

D. BUDGETARY DATA

The District's budget policies are as follows:

1. No later than 21 days prior to the third Tuesday in October, the District Treasurer submits a tentative budget to the Board of Fire Commissioners for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and estimated revenues as the means of financing for all funds.
2. After public hearings are conducted to obtain taxpayer comments, the governing body adopts the budget. Certified copies are filed with the Town no later than November 7th for purposes of preparing the tax levy.
3. All modifications of the budget must be approved by the Board of Fire Commissioners.

E. ASSETS, LIABILITIES AND FUND BALANCE

Cash:

Cash includes (1) cash on hand (2) cash in demand deposits and (3) other types of deposits and accounts that have the same characteristics as demand deposits (deposits or withdrawals may be made at any time without notice or penalty).

VAILS GATE FIRE DISTRICT

E. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED):

The Vails Gate Fire District's investment policies are governed by State Statutes. District monies shall be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks located within the State of New York. The Board of Fire Commissioners are authorized to use demand accounts and certificates of deposit. Collateral is required for demand deposits and certificates of deposit at no less than 100 percent of all deposits not covered by FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its Municipalities and School Districts.

Deposits: All deposits are carried at cost plus accrued interest. FDIC insurance covers up to \$250,000 per depositor, per insured bank for cash in time deposits and up to \$250,000 per depositor, per insured bank for cash in demand deposits. Deposits with a bank balance of \$1,488,035 are categorized as follows to give an indication of the level of risk inherent therein at year-end.

Category 1 includes deposits that are insured by the FDIC. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or its agent in the District's name. Category 3 includes deposits uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name.

| | Bank Balance Categories | | | Totals |
|------------------------------------|-------------------------|------------|------|--------------|
| | 1 | 2 | 3 | |
| Cash and cash equivalents in banks | \$ 526,162 | \$ 961,873 | \$ - | \$ 1,488,035 |

Property Tax Receivables:

Real property taxes are collected by the Town and remitted to the District. No receivable is generated because the Town remits the entire amount due to the District during the tax year.

Capital Assets:

Acquisitions of land, capital facilities and equipment are recorded as expenditures in the various Governmental Funds at the time of purchase and are also recorded in the General Fixed Assets Account Group at cost. No depreciation has been provided on capital assets.

Fund Balance Classification:

The following is a brief description of the five fund balance classifications, which are based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds:

Nonspendable:

Amounts that cannot be spent in the current period either because of their form or because they must be maintained intact. Prepaid expenses are nonspendable assets because, by definition, the money has already been spent. The balance at December 31, 2021, was \$9,400.

Restricted:

Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

- a. The General Fund includes assets restricted for the Service Award Program. The balance at December 31, 2021 was \$2,892,468. The General Fund also includes assets restricted for Tuition Assistance Payments from funding received through the Staffing for Adequate Fire and Emergency Response Grants ("SAFER") from FEMA. The balance at December 31, 2021 was \$18,764.

Various New York State statutes allow local governments to establish reserve funds for various purposes. Since the State regulates the establishment, funding and use of these reserves, the District has classified the following reserve funds as restricted fund balances:

- b. The Capital Fund includes reserve funds established for future repair, improvement, and renovation projects. The balance at the end of 2021 was \$501,680.
- c. The Land Fund includes reserve funds established for future purchase of land. The balance at the end of 2021 was \$500,976.

VAILS GATE FIRE DISTRICT

E. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED):

- d. The Repair Reserve Fund includes reserve funds established for future repair of equipment. The balance at the end of 2021 was \$70,169.

Committed:

Amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority (the Board of Fire Commissioners) before the end of the fiscal year. The same level of formal action is required to remove the constraint.

Assigned:

Amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund and, in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned:

Represents the residual amount of fund balance in the General Fund. In funds other than the General Fund, this should only be used to report a deficit balance.

F. PERVASIVENESS OF ESTIMATES

The preparation of financial statements in conformity with the modified accrual basis of accounting described in Note I C requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2021, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is September 9, 2021, which is the date the financial statements were available to be issued.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. LENGTH OF SERVICE AWARD PROGRAM

The information contained in this note is based on information for the Vails Gate Fire District Service Award Program for the program year ended on February 28, 2022, which is the most recent program year for which complete information is available. Volunteer Firemen's Insurance Services, Inc. ("VFIS") provided a valuation packet for the calendar year ended December 31, 2021 for the purposes of completing the audit. Information from that report is contained within this footnote.

The Vails Gate Fire District established a defined benefit Service Award Program (referred to as a "LOSAP" - length of service award program - under Section 457(e)(11) of the Internal Revenue Code) effective March 1, 1991 for the active volunteer firefighter members of the Vails Gate Fire District. The program was established pursuant to Article 11-A of New York State General Municipal Law. The program provides municipally funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Vails Gate Fire District is the sponsor of the program and VFIS is the program administrator.

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credits the volunteer earned under the program for performing active volunteer firefighter activities.

VAILS GATE FIRE DISTRICT

A. LENGTH OF SERVICE AWARD PROGRAM (CONTINUED):

Participation, Vesting and Service Credit:

Active volunteer firefighters who have reached the age of 18 and who have completed the sponsor's probationary period are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with one year of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is 55. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Vails Gate Fire Department.

Benefits:

A participant's service award benefit is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals \$30 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 40 years under the program.

Currently, there are no other forms of payment of a volunteer's earned service award under the program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the greater of \$10,000 or the actuarial value of the participant's earned service award at the time of death or disablement. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the program, a copy of the program document is available from the Fire District Secretary.

Investment and Control:

After the end of each calendar year, the fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year and indicates which volunteers earned fifty points. The certified list is delivered to the Board of Fire Commissioners for the Board's review and approval. The fire company must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Fire Commissioners.

The Board of Fire Commissioners has retained VFIS to assist in the administration of the program. The services provided by VFIS are described in the following paragraphs.

Based on the certified calendar year volunteer firefighter listings, VFIS determines and certifies in writing to the Board of Fire Commissioners the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Board of Fire Commissioners then authorizes, in writing, the custodian of the Vails Gate Fire District Service Award Program trust funds to pay the service award. No service award benefit payment is made without the written certification from VFIS and the written directive from the authorized representative of the Board of Fire Commissioners.

VFIS bills the Vails Gate Fire District for the services it provides. VFIS invoices are authorized for payment by the Board of Fire Commissioners in the same manner as any other invoice presented to the District for payment. The District pays VFIS invoices from its General Fund.

Article 11-A requires that program assets be held in trust for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Board of Fire Commissioners created a Service Award Program Trust Fund through the adoption of a trust document, a copy of which is available from the Fire District Secretary. The Board of Fire Commissioners is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the written investment policy statement adopted by the Board of Fire Commissioners.

VAILS GATE FIRE DISTRICT

A. LENGTH OF SERVICE AWARD PROGRAM (CONTINUED):

Program Financial Condition:

| | | |
|--|----|-----------|
| <u>Accrued Service Awards</u> | | |
| Actuarial Present Value of Accrued Service Awards as of February, 28, 2022 | \$ | 2,511,236 |
| Total Net Assets Available for Benefits as of December 31, 2021 | \$ | 2,892,468 |

Funding Methodology and Actuarial Assumptions:

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

| | | |
|---|-------|--|
| Assumed rate of return on program investments | 4.50% | |
| Tables used for: | | |
| Withdrawal | | None |
| Disability | | None |
| Retirement | | RP-2000M>2030 Mortality without projection |
| Death (Actives) | | RP-2000M>2030 Mortality without projection |
| Death (Inactives) | | RP-2000M>2030 Mortality without projection |

*For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to survive to the entitlement age; remain active and earn 50 points each year; and begin to be paid service awards upon attainment of the entitlement age.

The following information was compiled for 2021 and is not part of the February, 28, 2022 VFIS report.

| | | |
|--|----|-------------|
| <u>Assets and Liabilities</u> | | |
| Total Investments: | | |
| General Investment Account | \$ | 2,892,468 |
| Total Other Assets/(liabilities) | | - |
| | | <hr/> |
| Fund Balance Restricted for LOSAP Benefits | \$ | 2,892,468 |
| | | <hr/> <hr/> |

The following information was compiled for 2021 and is not part of the February, 28, 2022 VFIS report.

| | | |
|--|------------------|------------------|
| <u>Receipts and Disbursements</u> | | |
| Fund Balance Restricted for LOSAP Benefits - Beginning | \$ | 2,628,323 |
| Changes During the Year | | |
| Plan Contributions | 281,526 | |
| Interest and Dividends | 83,518 | |
| Plan Benefit Withdrawals | <u>(100,899)</u> | |
| Fund Balance Restricted for LOSAP Benefits - Ending | \$ | <u>2,892,468</u> |
| <u>Contributions</u> | | |
| Amount of District's Contribution Recommended by Actuary | \$ | 279,701 |
| Amount of District's Actual Contribution | \$ | 281,526 |
| <u>Administrative Fees</u> | | |
| Fees Paid to Administrative/Actuarial Services Provider | \$ | 4,290 |

VAILS GATE FIRE DISTRICT

B. ASSETS

Capital Assets:

Property, Buildings and Equipment - A summary of changes in the general fixed assets during fiscal year 2021 follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-------------------------------|----------------------|-------------------|-------------|---------------------|
| Machinery and Equipment | \$ 5,176,229 | \$ 25,072 | \$ - | \$ 5,201,301 |
| Construction Work in Progress | 96,632 | 330,913 | - | 427,545 |
| Total Capital Assets | \$ 5,272,861 | \$ 355,985 | \$ - | \$ 5,628,846 |

C. LIABILITIES

Short-Term Debt:

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. The notes, or renewal thereof, may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

In April 2018, the District issued a new BAN for \$750,000 to finance the purchase of a new Pierce Pumper truck.

BAN payable at December 31, 2021 is comprised of the following individual issue:

| Description | Sale Date | Original Borrowing | Interest Rate | Fiscal Year of Final Maturity | Outstanding Principal 2021 |
|------------------------------|------------|-----------------------|------------------|-------------------------------------|-------------------------------|
| Bond Anticipation Note | 04/16/2021 | \$ 150,000 | 0.77 % | 4/15/2022 | \$ 150,000 |
| Total Short-Term Debt | | | | | \$ 150,000 |

D. LEASE COMMITMENTS

The District has a twenty-year lease agreement, which commenced in January 2009, with the Vails Gate Fire Company, Inc. for the rental of three stations. During 2021, the District paid \$158,797 in lease obligations. The following schedule details the lease commitments for the remainder of the agreement

| | |
|-----------|---------------------|
| 2022 | \$ 162,038 |
| 2023 | 165,278 |
| 2024 | 168,519 |
| 2025 | 171,760 |
| 2026 | 175,000 |
| 2027-2028 | 359,723 |
| | <u>\$ 1,202,318</u> |

VAILS GATE FIRE DISTRICT

D. LEASE COMMITMENTS (CONTINUED):

The District has a three-year lease agreement, which commenced in December 2021, for the rental of building next to the firehouse. During 2021, the District paid \$4,400 for the security deposit and one month of rent for the building. The following schedule details the lease commitments for the remainder of the agreement

| | | |
|------|-----------|---------------|
| 2022 | \$ | 26,400 |
| 2023 | | 26,400 |
| 2024 | | 26,400 |
| | <u>\$</u> | <u>79,200</u> |

*OTHER
INFORMATION*

VAILS GATE FIRE DISTRICT

OTHER INFORMATION FIRE DISTRICT QUESTIONNAIRE

| | Response |
|--|-----------|
| 1) Has your district adopted a written procurement policy and is it complied with? | Y |
| 2) Has your district contracted to have an independent audit of its financial statements? If not, has the Board of Fire Commissioners performed an internal audit of the Treasurer's records and reports? | Y |
| 3) Does your district have a written travel policy and is it complied with? | Y |
| 4) Are monthly bank reconciliations performed? | Y |
| 5) What is your district's statutory spending limitation margin (amount) for the next fiscal year? | \$393,518 |
| 6) Does your district have a Length of Service Award Program ("LOSAP") for volunteer Firefighters? | Y |
| If so, how are the LOSAP funds invested? | |
| Marketable Securities | N |
| Annuities | Y |
| Life Insurance | Y |
| Other (describe) | |
| 7) Has your Fire District adopted an investment policy as required by General Municipal Law, Section 39? | Y |



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Fire Commissioners
Vails Gate Fire District
P.O. Box 173
Vails Gate, NY 12584

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Vails Gate Fire District, which comprise the balance sheet - modified accrual basis as of December 31, 2021, and the related statements of results of operation and changes in fund balance - modified accrual basis and budgetary comparison - modified accrual basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Vails Gate Fire District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vails Gate Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vails Gate Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

rbtcpas.com

11 Racquet Road
Newburgh, NY 12550

2678 South Road
Suite 101
Poughkeepsie, NY 12601

P.O. Box 757
2215 Rt. 9W
Lake Katrine, NY 12449

P.O. Box 209
51 Sullivan Street
Wurtsboro, NY 12790

4071 Route 9, Stop 1
Hudson, NY 12534

590 Madison Avenue
21st Floor
New York, NY, 10022

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vails Gate Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Newburgh, NY
September 9, 2021

VAILS GATE FIRE DISTRICT

SCHEDULE OF FINDINGS

A. Internal Control Findings

No internal control findings noted.

B. Compliance Findings

No compliance findings noted.

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

March 29, 2023

The Board of Commissioner of the
Vails Gate Fire District, in the Towns of New Windsor and Cornwall,
County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Vails Gate Fire District, in the Towns of New Windsor and Cornwall (the “Fire District”), in the County of Orange, a district corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$7,000,000 Bond Anticipation Notes – 2023 (the “Notes”) of the Fire District dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Fire District for which the Fire District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Fire District is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Fire District will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Fire District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Fire District's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Fire District with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Fire District which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Vails Gate Fire District, in the Towns of New Windsor and Cornwall, in the County of Orange, a district corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Fire District Treasurer as of March 29, 2023.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s **\$7,000,000 Bond Anticipation Note-2023**, dated March 29, 2023, maturing March 29, 2024, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (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 Securities, or other material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) 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 Issuer 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 Issuer, 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 Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Issuer, if material, or agreement to covenants, events of default,

remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **March 29, 2023**.

VAILS GATE FIRE DISTRICT, NEW YORK

By: _____
Fire District Treasurer