§ 65. Actions and proceedings by and against towns. 1. Any action or special proceeding for or against a town, or for its benefit, and upon a contract lawfully made with it, or with any of its officers or agents authorized to contract in its behalf, or to enforce any liability created, or duly enjoined upon it, or upon any of its officers or agents for which it is liable, or to recover damages for any injury to any property or rights for which it is liable, shall be in the name of the town. The town board of any town may authorize and direct any town officer or officers to institute, defend or appear, in any action or legal proceeding, in the name of the town, as in its judgment may be necessary, for the benefit or protection of the town, in any of its rights or property. It shall be the duty of any officer or officers so authorized and directed to institute said action or legal proceeding or to defend or appear therein, and the reasonable and necessary expense of such action or proceeding, or defense or appearance shall be a town charge. No such officer or officers, however, shall employ legal counsel except as directed by the town board.

2. The town may sue and be sued at law for the breach of any lawful contract entered into by it on behalf of a district wholly located in such town. Any sum of money recovered by it in such an action shall be paid over to the town treasury and be credited to such district. In the event of the entry of any judgment against such town by reason of a contract made on behalf of a district, the town shall forthwith satisfy and pay such judgment, interest and costs, and the amount so paid in satisfaction of any such judgment, interest and costs shall be a charge against such district and the amount thereof shall be assessed and levied against and collected from the several lots and parcels of land within the district in the same manner as other district charges, or the amount of any such judgment, including interest and costs, may be financed pursuant to the local finance law in which event amounts necessary to provide for the annual payments of principal of and interest on any obligations issued by the town for such purpose shall be assessed and levied against and collected from the several lots and parcels of land within the district in the same manner as other district charges.

3. On and after the first day of September, nineteen hundred thirty-nine, no action shall be maintained against a town upon or arising out of a contract entered into by the town unless the same shall be commenced within eighteen months after the cause of action thereof shall have accrued, nor unless a written verified claim shall have been filed with the town clerk within six months after the cause of action shall have accrued, but no such action shall be brought upon any such claim until forty days have elapsed after the filing of the claim in the office of the town clerk.