

OFFICIAL STATEMENT DATED JUNE 30, 2010

NEW ISSUE

TAX ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the 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 imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel to the 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. See "Tax Matters" herein.

The Notes will NOT be designated by the District as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 of the Code.

MILLER PLACE UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK (the "District")

\$12,500,000

TAX ANTICIPATION NOTES FOR 2010-2011 TAXES (the "Notes")

Dated Date: July 21, 2010

Maturity Date: June 30, 2011

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for such purpose.

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

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates as shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

Form and Denomination: The Notes to be issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. 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. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry form purchased. See "Book-Entry System" herein.

Payment: Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes issued in bearer form or in the form registered to the Purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

The District will act as Paying agent for the Notes.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on July 13, 2010 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

Hawkins Delafield & Wood LLP, has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

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. It is expected that delivery of the Notes will be made on or about July 21, 2010 in New York, New York, or as otherwise agreed to by the District and the purchaser(s).

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

**MILLER PLACE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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Angela Guido, Vice President

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Dr. Marianne F. Higuera, Deputy Superintendent
Patricia Chapin, District Clerk
Donald Pearce, District Treasurer

School District Attorney

Guercio & Guercio
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* * *

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* * *

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OFFICIAL STATEMENT

Relating to

MILLER PLACE UNION FREE SCHOOL DISTRICT, SUFFOLK COUNTY, NEW YORK

\$12,500,000

TAX ANTICIPATION NOTES FOR 2010-2011 TAXES

This Official Statement, including the cover page and appendices thereto, has been prepared by the District and presents certain information relating to the District's \$12,500,000 Tax Anticipation Notes for 2010-2011 Taxes (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 District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

Note certificates shall be delivered to the purchaser(s), of notes and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their interest in the Notes. Individual purchases of such registered Notes 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 School 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. See "Book-Entry System" herein.

The District will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Dr. Marianne F. Higuera, Deputy Superintendent, Miller Place Union Free School District, 275 Route 25A Unit #43, Miller Place, NY 11764, Phone (631) 474-2700, Fax (631) 331-8832 and email: mhiguera@millerplace.k12.ny.us.

Optional Redemption

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

Book-Entry System

For those Notes issued in book-entry form through DTC, the Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, maturity of the Notes, each in the aggregate principal amount of such maturity issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities

Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with notes 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of

DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Authorization and Purpose

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2010-2011 real property taxes levied or to be levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes were or are to be levied, as specified in the 2010-2011 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the Notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2010-2011 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such notes. Interest on the Notes will be provided from budget appropriations.

For a description of prior issues of Tax Anticipation Notes and of projected issues of obligations for capital and operating purposes of the District, see "Indebtedness of the District."

Security and Source of Payment

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

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor.

Remedies Upon Default

Section 99-b of the State Finance Law ("SFL") provides for a covenant between the State of New York (the "State") and the purchasers and the holders and owners from time to time of the bonds and notes issued by the school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

notes of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said Section of SFL.

Under current law, provision is made for contract creditors (including the Noteholders) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency police powers to assure the continuation of essential public services.

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

THE DISTRICT

Description

The District is located in the northwestern part of the Town of Brookhaven, Suffolk County, New York. The professional and trading centers of Port Jefferson, Smithtown and Patchogue are within close proximity.

The area is largely residential in character. Considerable commercial development has taken place in recent years, located mostly on New York State Route 25A and North Country Road. Route 25A is the main road artery in the School District, and it generally bisects the School District on an east-west axis.

Residential construction continues at a moderate pace. Residents find employment with the School District, and, among other places, at nearby industrial plants, Brookhaven National Laboratory, The Internal Revenue Center in Holtsville and Smith Haven Shopping Mall complex.

Vehicular transportation is served by a network of Town, County and State roads. The accessibility of the School District to and from the Metropolitan Area has been improved by the Long Island Expressway. Rail transportation is furnished by the Metropolitan Transportation Authority (Long Island Rail Road) through the nearby Port Jefferson Station.

Recreational facilities, available to residents of the School District, include Town beaches and marinas.

Higher education facilities are available in the immediate area, including The State University of New York at Stony Brook and Suffolk County Community College.

Police protection is provided by the County of Suffolk and fire protection is provided primarily by the Miller Place Fire District.

District Organization

The Board of Education, which is the policy-making body of the District, consists of five members with overlapping three-year terms so that as nearly as possible an equal number shall be elected to the Board each year. The President and the Vice President are selected by the Board members.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, Deputy Superintendent, the Assistant Superintendent for Instruction and Personnel, the School District Clerk and the District Treasurer.

Enrollment History

<u>School Year</u>	<u>School Enrollment</u>
2004-05	3,155
2005-06	3,176
2006-07	3,216
2007-08	3,154
2008-09	3,164
2009-10	3,167

District Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Date of Last Addition</u>	<u>Capacity</u>
Andrew Muller Primary School	K-2	1968	1971	795
North Country Road Middle School.....	6-8	1937	1996	750
Sound Beach School	3-5	1979	1996	800
Miller Place High School	9-12	1972	-	1,341

Employees

Some of the District employees are represented by organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members^a</u>
Miller Place Teachers Association	6/30/12	242
Miller Place Nurses Association	6/30/12	4
Miller Place Administrators Association	6/30/13	11
CSEA - Secretarial & Clerical.....	6/30/13	100
CSEA - Cafeteria Workers	6/30/13	15
CSEA Operational Unit.....	6/30/13	38

a.Includes both full-time and part-time employees.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population TrendsPopulation TrendsPopulation Trends

The following table sets forth population statistics for the District and the Town of Brookhaven.

<u>Year</u>	<u>District^a</u>	<u>Town</u>
2004	13,750	472,425
2005	14,500	479,578
2006	14,650	485,295
2007	14,750	489,255
2008	14,750	491,035
2009	14,800	491,818

a. Estimated.

Income Data

Income data are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven. 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 Official Statement that the District is necessarily representative of the Town or vice versa.

	<u>Per Capita Money Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2008*</u>
Town of Brookhaven	\$16,726	\$24,191	\$32,264
County of Suffolk	18,481	26,577	35,140
State of New York	16,501	23,389	30,804

	<u>Median Household Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2008*</u>
Town of Brookhaven	\$47,074	\$62,475	\$82,166
County of Suffolk	49,128	65,288	84,767
State of New York	32,965	43,393	55,401

Source: United States Bureau of the Census

*Note: Based on American Community Survey 3-Year Estimates (2006-2008)

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven. 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 Official Statement that the District is necessarily representative of the Town or vice versa.

	<u>Town of Brookhaven</u>	<u>New York State</u>
Annual Averages:		
2005	4.2%	5.0%
2006	4.0	4.5
2007	3.9	4.5
2008	5.0	5.4
2009	7.3	8.3
2010 (5 month average)	7.4	8.7

Source: New York State Department of Labor

**Selected Listing of Larger Employers
(As of 2010)**

<u>Name</u>	<u>Estimated Number of Employees</u>
State University at Stony Brook.....	13,000
Sachem Central School District.....	3,229
Brookhaven National Laboratory	2,979
John T. Mather Hospital	2,386
Brookhaven Memorial Hospital	2,800
St. Charles Hospital	1,564
Three Village Central School District	1,650
William Floyd Central School District.....	1,650
Suffolk County Community College	1,051
Patchogue-Medford Union Free School District.....	1,500
Motorola, Inc.	1,090

Source: Division of Economic Development Town of Brookhaven.

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

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

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

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

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under "Security and Source of Payment," the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

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

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax and revenue anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

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

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the 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 Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

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

Trend of Outstanding Indebtedness

	Fiscal Year Ending June 30:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bonds	\$15,455,000	14,100,000	\$12,555,000	\$10,965,000	\$37,685,000
Bonds Anticipation Notes...	-	-	-	1,100,000	-
Tax Anticipation Notes.....	-	-	-	-	-
Other Notes.....	-	-	-	-	-
Installment Purchase Debt	-	-	479,462	357,274	228,834
Total Outstanding Debt... ..	<u>\$15,455,000</u>	<u>\$14,100,000</u>	<u>\$13,034,462</u>	<u>\$12,422,274</u>	<u>\$37,913,834</u>

Details of Short-Term Indebtedness Outstanding

The District has \$5,000,000 tax anticipation notes outstanding and due June 30, 2010. Such tax anticipation notes are expected to be paid at maturity from the proceeds of the 2009-10 property tax levy.

Tax Anticipation Notes

During the five most recently completed fiscal years, the District has issued tax anticipation notes to fund temporary cash flow deficits caused by the schedule of real property tax and State aid revenue payments, as set forth below.

Fiscal Year Ending June 30:	Amount	Date of Issue	Date of Maturity
2006	\$8,650,000	7/06/05	6/30/06
2007	7,900,000	7/06/06	6/29/07
2008	7,600,000	7/19/07	6/30/08
2009	8,500,000	7/30/08	6/30/09
2010	5,000,000	7/16/09	6/30/10

Debt Service Requirements – Outstanding Bonds

Fiscal Year Ending June 30:	Principal	Interest	Total
2011	\$1,510,000	\$1,086,440	\$2,596,440
2012	2,480,000	1,323,751	3,803,751
2013	2,565,000	1,232,872	3,797,872
2014	2,660,000	1,139,019	3,799,019
2015	2,765,000	1,040,664	3,805,664
2016	2,185,000	951,050	3,136,050
2017	2,160,000	872,188	3,032,188
2018	1,755,000	794,263	2,549,263
2019	1,820,000	734,725	2,554,725
2020	1,450,000	671,950	2,121,950
2021	1,505,000	626,450	2,131,450
2022	1,555,000	575,962	2,130,962
2023	1,620,000	520,438	2,140,438
2024	1,685,000	462,588	2,147,588
2025	1,500,000	398,800	1,898,800
2026	1,565,000	338,800	1,903,800
2027	1,625,000	276,200	1,901,200
2028	1,690,000	211,200	1,901,200
2029	1,760,000	143,600	1,903,600
2030	1,830,000	73,200	1,903,200
Total	<u>\$37,685,000</u>	<u>\$13,474,157</u>	<u>\$51,159,157</u>

Computation of Debt Limit and Calculation of Total Indebtedness
(As of June 30, 2010)

	<u>Assessed Valuation</u>	State Equalization <u>Rate</u>	<u>Full Valuation</u>
2009-2010.....	\$17,776,893	0.77%	\$2,308,687,402
Debt Limit - 10% of Full Valuation			230,868,740
Inclusions: ^a			
Outstanding bonds			37,685,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness Before Issuing the Bonds			<u>37,685,000</u>
Less: Estimated State Aid ^b			22,611,000
Net Indebtedness			<u>15,074,000</u>
Net Debt Contracting Margin			<u>\$215,794,740</u>

- a. The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the statutory debt limit of the District.
- b. Represents estimate of moneys received by the District from the State as an apportionment form service for school building purposes, based on most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefor may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.
- c. Represents 6.52% of the Debt Limit.

Authorized But Unissued Indebtedness

On March 2, 2010, the residents of the District approved an amount of \$3,400,000 for the construction of a new administration building. Bond are expected to be issued in the Summer of 2011.

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 Suffolk	10-02-09	0.79%	11,025,622	9,523,244
Town of Brookhaven	09-04-09	3.69	16,226,354	15,107,348
Fire District				
Miller Place	12-31-09	100.00	1,925,000	1,925,000
Sound Beach.....	12-31-09	5.00	<u>21,500</u>	<u>21,500</u>
Total.....			<u>\$29,198,476</u>	<u>\$26,577,092</u>

Sources: State Comptroller's Special Report on Municipal Affairs or more recently published Official Statements.

FINANCES OF THE DISTRICT

Independent Audit

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

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2009. A copy of such report can be found on the website of Munistat Services, Inc., www.munistat.com.

Investment Policy

The primary objective of the school district's investment activities are, in priority order:

- a. to conform with all applicable federal, state, and other legal requirements (legal);
- b. to adequately safeguard principal (safety);
- c. to provide sufficient liquidity to meet all operating requirements (liquidity), and
- d. to obtain a reasonable rate or return (yield).

The governing board's responsibility for administration of the investment program is delegated to the treasurer who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

All participants in the investment process shall seek to act responsibly as custodians of the trust and shall avoid any transaction that might impair public confidence in the Miller Place Union Free School District effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

It is the policy of the Miller Place Union Free School District to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

It is the policy of the Miller Place Union Free School District for all moneys collected by any officer or employee of the government to transfer those funds to the treasurer.

The treasurer is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

In accordance with the provisions of General Municipal Law, Section 10, all deposits of Miller Place Union Free School District, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- a. by a pledge of "eligible" securities: with an aggregate "market value" as provided by GML Section 10, equal to the aggregate amount of deposits from the categories designated by the governing board.
- b. by an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements, and,
- c. by an eligible surety bond payable to the government for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims - paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations:

Eligible securities used for collateralizing deposits shall be held by the depository and/or a third party bank or trust company subject to security and custodial agreements.

The securities agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted, or released and the events which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Miller Place Union Free School District or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

As authorized by General Municipal Law, Section 11, the Miller Place Union Free School District authorizes the treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- a. Special time deposit accounts;
- b. certificates of deposit;
- c. obligations of the United States of America;
- d. 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.

The Miller Place Union Free School District shall maintain a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Miller Place Union Free School District. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The treasurer is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated at least annually.

The treasurer is authorized to contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.
- b. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific program has been authorized by the governing board.
- c. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the local government, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold, or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Miller Place Union Free School District by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law, Section 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
- No substitution of securities will be allowed.
- The custodian shall be a party other than the trading partner.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facilities, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transaction, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Source: Audited Financials of the District.

Budget Process

Annually, pursuant to the Education Law, the District's Board of Education prepares or causes to be prepared a budget for the ensuing fiscal year. During November and December the tentative budget is developed and refined in consultation with school principals and department supervisors. At subsequent meetings of the Board of Education the proposed budget is discussed and further refined. The tentative budget is adopted by the Board and submitted to referendum at the Annual Meeting held on the third Tuesday of May. Prior to the Annual Meeting a public hearing is held with respect to the proposed budget.

Residents of the District who are qualified to vote may participate in the referendum. If, by majority vote, the budget is approved, the Board of Education, by resolution, adopts the budget for the ensuing fiscal year. If the budget is not so approved, the Board may make changes to the budget and re-submit it one time as revised to the voters for adoption. If such budget as re-submitted is again not approved by a majority vote of the residents, the District must then adopt a contingency budget. Such contingency budget must provide for a tax for teachers' salaries, ordinary contingent expenses, debt service and student transportation. Except for mandated expenses such as debt service, a contingency budget may not exceed the budget for the prior fiscal year of the District by the lesser of 1.2 times the percentage increase in the consumer price index or four percent (4.00%). Alternatively, the Board may choose not to re-submit the budget and, by resolution, adopt a contingency budget for the ensuing fiscal year in accordance with the parameters set forth above. Expenses beyond ordinary contingent expenses may later be added to the budget upon voter approval.

The 2009-10 fiscal year budget was approved by the voters of the District on May 18, 2010 and the 2010-11 budget was approved by the voters of the District on May 17, 2010. A summary of budgeted revenues and expenditures for the current fiscal year and the prior fiscal year is included in Appendix A.

Revenues

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

Real Property Taxes

See "Tax Information", herein.

State Aid

In addition to the amount of State Aid budgeted by the District, since its current fiscal year the State has made STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (see "STAR - School Tax Exemption").

The District is dependent in significant part on financial assistance from the State in the form of State Aid for both operating and capital purposes. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies and not by a cut in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. (see "Recent Events Affecting State Aid to New York State School Districts")

The State is not constitutionally obligated to maintain or continue State aid to the School District. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget and other circumstances. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the School District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE").

Recent Events Affecting State Aid to New York School Districts

On November 12, 2008, in response to the ongoing and worsening national fiscal crisis and its affect on the State, Governor David Paterson unveiled a plan to cut approximately \$2 billion of expenses in the State Budget for the State fiscal year ending March 31, 2009. The proposed cuts would have included an \$836 million reduction in State aid to school districts in the State. Under the Governor's plan, a significant amount of State aid would have been cut from the District's anticipated State aid allotment during its 2008-2009 fiscal year.

Thereafter, on November 18, 2008, the New York State Legislature convened an emergency session to consider the Governor's plan, but concluded the session without taking any action on such plan. Subsequently, the Governor stated publicly that there would be no reductions in State aid that would occur during the 2008-2009 school fiscal year.

One month later, the Governor presented his 2009-2010 proposed budget, which included significant reductions in State aid to school districts. Nonetheless, on April 2, 2009, the State Legislature adopted the State's 2009-2010 budget, which maintained State aid funding to school districts at the 2008-2009 levels by appropriating monies allotted to the State in the American Reinvestment and Recovery Act of 2009 (the "Federal Stimulus Act").

On October 15, 2009, in response to updated budget projections, the Governor proposed reducing the current 2009-2010 State Budget by \$3.0 billion, including \$480 million in education spending. The State Legislature convened in Special Session to consider the Governor's deficit reduction plan and to develop other proposals to address the imbalance in the State's 2009-2010 Budget, which is estimated to be between \$3.2 billion and \$4.0 billion.

On December 2, 2009 after much discussion, the Legislature adopted a \$2.7 billion deficit reduction plan to partially reduce the State's budget deficit, without impacting any State aid funding to public school districts.

The measures do not completely cover the full scope of the deficit and as a result the Governor has stated that he will reduce or delay aid payments to school districts and hospitals for the balance of the State's current fiscal year ending March 31, 2010. The District cannot predict at this time whether there will be any delays and reductions in State aid in the current year ending June 30, 2010.

On January 19, 2010, the Governor submitted his proposed Executive Budget for the State's fiscal year ending March 31, 2011. The Executive's Budget recommends a total reduction in State aid of approximately \$2.1 billion; however, the Governor's Executive Budget includes Federal Stimulus funding of approximately \$726,000 to offset some of the reductions in State aid. As a result, the net State aid reduction totals approximately \$1.4 billion. The Executive Budget is subject to review and modification by the New York State Legislature. The District cannot predict at this time whether the proposed reductions in State aid as put forth by the Governor will be included in the State's 2010-2011 budget, or whether the State aid reduction proposal will be modified, revised or eliminated by the New York State Legislature. The State Legislature has not adopted a budget for the State's 2010-2011 fiscal year and it is unclear when a budget will be adopted.

In addition, on March 30, 2010 the Governor announced that he would unilaterally delay the distribution of approximately \$2.1 billion in scheduled 2010-2011 State aid payments for school districts throughout the State.

On May 14, 2010, Governor Paterson proposed another delay in State aid, but also assured school districts that all outstanding aid payments will be made prior to June 30, 2010. Under the Governor's proposal, the outstanding aid payments which had been paid in prior years by March 31st, will be paid in two installments, with one payment being made before June 15th and the second being made after June 15th. The State typically receives income tax revenues on June 15th which are expected to enable the payment of the balance of aid due to school districts. As of the date hereof, it is unknown when such aid will ultimately be paid to school districts.

Although the District cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available to pay State aid in future years, the District may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing. (See "NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE" herein).

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

Employee Pension System

Professional employees (teachers and administrators) are members of the New York State Teachers' Retirement System ("TRS"). Payments to the TRS are generally deducted from State aid payments. All non-professional employees of the District eligible for pension or retirement benefits are members of the New York State and Local Employees' Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to the members hired prior to July 1, 1976. All members of the respective systems hired on or after July 1, 1976, contribute 3% of their gross annual salary toward the cost of retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with 10 years of service credit. On December 10, 2009, the Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries and new TRS employees in Tier 5 will contribute 3.5% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

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

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. It increased, from five to ten years, the maximum amortization period of the portion of employer contributions that exceeds 7% of payroll

for the 2004-2005 fiscal year of the Retirement System. It also allowed employers to bond for their 2005-2006 and 2006-2007 fiscal year contributions in excess of 9.5% and 10.5%, respectively. This amortization may be made with the Retirement System or the District could issue a maximum of 10 year general obligation bonds, the interest on which would be set at prevailing bond market rates on the date of sale and would be taxable for federal income tax purposes.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 and subsequent years will be higher than the minimum contribution rate established by Chapter 49. At this time the District is unable to predict the amount of any such increase. To mitigate the expected increases in the employer contribution rate, has been proposed that would permit local governments and schools districts to issue bonds to fund the required increased contribution. The District cannot predict such legislature will be enacted into law.

The following chart represents the TRS and ERS contributions.

Fiscal Year Ending	TRS	ERS
2005	\$1,060,888	\$ 467,790
2006	1,620,680	474,706
2007	1,948,792	566,112
2008	2,121,621	466,776
2009	1,735,419	422,869

Source: Audited Financial Statements.

Other Post Employment Benefits

School Districts and Boards or Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

It should also be noted that the District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires governmental entities, such as the District, to account for the cost of certain non-pension post-employment benefits as it accounts for vested pension benefits.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The District has retained an independent firm to conduct the actuarial valuation and as of June 30, 2009 the actuarial accrued liability for the District is \$49 million and the ARC is \$4 million.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Brookhaven. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board 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 aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax Receiver. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receiver distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

STAR - School Tax Exemption

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

Valuations, Rates, Levies and Collections

Fiscal Year Ending June 30	Assessed Valuation	State Equal. Rate	Full Valuation	Tax Rate Per \$1,000 Assessed Valuation	Tax Levy	Amount Uncollected
2005	\$18,101,377	1.01%	\$1,792,215,544	\$1,717.06	\$31,081,076	\$-0-
2006	18,447,779	0.84	2,196,164,166	1,816.88	33,517,406	-0-
2007	18,547,650	0.76	2,440,480,263	1,816.97	33,700,516	-0-
2008	18,295,340	0.70	2,613,620,000	1,940.18	35,496,243	-0-
2009	18,073,086	0.73	2,475,765,205	2,013.08	36,382,621	-0-
2010	17,776,893	0.77	2,308,687,402	2,131.77	37,885,718	-0-

**Selected Listing of Large Taxable Properties
2009-10 Assessment Roll**

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Long Island Power Authority	Utility	247,468
Miller Place RLTY LLC & NB	Commercial	107,500
Pina Construction Corp.	Commercial	95,850
North Country Plaza LLC C/O Wolfe Miller	Commercial	74,000
Sylvan Gardens Owners Inc. C/O Camco Services Inc.	Commercial	73,000
Keyspan.....	Utility	62,262
Verizon New York Inc.	Utility	51,746
Icky Corp.....	Commercial	45,550
Soundview-Pipestave Hollow LLC & Others	Commercial	37,100
Pefcos Realty Corp.....	Commercial	<u>24,350</u>
	Total	<u>\$818,826</u>

1. Represents 0.46% of the 2009-10 Assessed Valuation of the District.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

**NOTEHOLDER RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND
SCHOOL DISTRICTS OF THE STATE**

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 District's credit rating could be affected by circumstances beyond the 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 District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. Accordingly, a decline in the District's credit rating could adversely affect the market value of the Notes.

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

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part on financial assistance from the State. If the State should for any reason delay in making State aid payments to municipalities and school districts in the State, including the District, in this year or future years, the District may be affected by such delay until such State aid payments are made. In addition, there is no assurance that such aid will be continued at current levels during the current fiscal year or in the future fiscal years. If State aid to the District does continue, any unexpected reductions or delays in the receipt thereof might temporarily delay payment by the District of its anticipated and budgeted expenditures, including the payment of debt service on outstanding bonds (see "Finances of the District" and "Revenues" herein). Should the District fail to receive State aid expected from the State in the amounts and at the times

expected, occasioned by a delay in the payment of such monies and not by a cut in State aid (see “Recent Events Affecting State Aid to New York School Districts”), the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Future amendments to applicable statutes affecting the treatment of interest paid on municipal bonds, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see “Tax Exemption” herein).

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the 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 imposed on individuals and corporations under the Code and such interest is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. The arbitrage and use of proceeds certificate of the 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 District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain 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 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 to the District expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. 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 hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or on the exemption from state and local tax law 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 District, in executing the Tax Certificate, will certify to the effect that the 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 means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to note houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 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 Note having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Note 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 Notes 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 paid 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 unless the recipient is one of a limited class of exempt recipients, including corporations. 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 and 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.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the District shall furnish a certificate of the School District Attorney, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect and enforce the collection of taxes or other revenues for the payment of the Notes, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the District is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon without limitation of rate or amount. Said opinion shall also contain further statements to the effect that (a) 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, and (b) said law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement of the District relating to the Notes, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which have been or may be furnished or disclosed to purchasers of the Notes, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

Closing Certificates

Upon the delivery of the Notes, the Purchasers will be furnished with the following items: (i) a Certificate of the President of the Board of Education and the Deputy Superintendent to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Notes; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the District evidencing payment for the Notes; (iii) a Signature Certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the District nor the title of any of the officers thereof to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (iv) a Tax Certificate executed by the President of the Board of Education, as described under "Tax Matters," herein.

DISCLOSURE UNDERTAKING

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Material Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, 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, timely notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (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 or events affecting the tax-exempt status of the Notes; (vii) modifications to rights of Noteholders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes; and (xi) rating changes.

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

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

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

The District is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12.

RATING

The Notes are not rated. Moody's Investors Service has assigned its rating of "Aa2" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the bonds or notes or the availability of secondary market for the bonds or notes.

FINANCIAL ADVISOR

Munistat Services, Inc. has acted as the Financial Advisor to the District in connection with the sale of the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Deputy Superintendent, Marianne F. Higuera, Miller Place Union Free School District, 275 Route 25A, Miller Place, New York 11764, telephone number 631/331-8832, email: mhiguera@millerplace.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

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 District and the original purchasers or owners of any of the Notes.

Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the District, expresses no opinion on the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including the financial or statistical information in this Official Statement and the appendices hereto.

The preparation and distribution of this Official Statement has been authorized by the applicable tax and revenue anticipation note resolution of the District which delegate to the President of the Board of Education the power to sell and issue the Notes.

By: s/s ANN O'BRIEN
President of the Board of Education
Miller Place Union Free School District
Miller Place, New York

June 30, 2010

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Changes In Fund Equity
General Fund

Fiscal Year Ending June 30:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Real Property Taxes	\$ 26,589,947	\$ 28,862,426	\$ 29,061,251	\$ 30,777,643	\$ 31,874,224
Other Real Property Tax Items	4,485,092	4,657,408	4,640,146	4,719,546	4,511,450
Charges for Services	180,104	122,236	225,480	335,945	154,045
Use of Money and Property	434,831	612,942	768,655	591,423	311,023
Sale of Property & Comp. for Loss	2,546	14,633	20,545	4,359	52,018
Miscellaneous	187,517	305,224	266,345	285,518	239,533
State Sources	15,182,118	15,667,586	16,349,287	17,141,085	19,479,590
Federal Sources	18,771	92,737	78,228	63,094	169,026
Total Revenues	<u>47,080,926</u>	<u>50,335,192</u>	<u>51,409,937</u>	<u>53,918,613</u>	<u>56,790,909</u>
Other Sources					
Interfund Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues and Other Sources	<u>47,080,926</u>	<u>50,335,192</u>	<u>51,409,937</u>	<u>53,918,613</u>	<u>56,790,909</u>
Expenditures:					
General Support	5,864,263	7,717,287	6,295,947	6,695,648	7,125,503
Instruction	25,226,200	28,607,458	31,090,484	30,699,771	30,615,277
Pupil Transportation	2,683,879	3,054,012	3,485,830	3,672,436	3,748,444
Employee Benefits	7,024,269	8,197,730	9,125,655	9,570,366	9,499,168
Debt Service	2,365,693	2,350,151	2,407,739	2,384,172	2,287,662
Total Expenditures	<u>43,164,304</u>	<u>49,926,638</u>	<u>52,405,655</u>	<u>53,022,393</u>	<u>53,276,054</u>
Other Uses					
Interfund Transfers	<u>123,097</u>	<u>126,774</u>	<u>124,713</u>	<u>87,862</u>	<u>96,856</u>
Total Expenditures and Other Uses	<u>43,287,401</u>	<u>50,053,412</u>	<u>52,530,368</u>	<u>53,110,255</u>	<u>53,372,910</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,793,525</u>	<u>281,780</u>	<u>(1,120,431)</u>	<u>808,358</u>	<u>3,417,999</u>
Fund Balance Beginning of Year	4,053,686	10,347,452	10,629,232	9,508,801	10,317,159
Prior Period Adjustments	<u>2,500,241</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance Beginning of Year, Restated	<u>6,553,927</u>	<u>10,347,452</u>	<u>10,629,232</u>	<u>9,508,801</u>	<u>10,317,159</u>
Fund Balance End of Year	<u>\$ 10,347,452</u>	<u>\$ 10,629,232</u>	<u>\$ 9,508,801</u>	<u>\$ 10,317,159</u>	<u>\$ 13,735,158</u>

Source: Audited Annual Financial Reports of the School District.

NOTE: Table is not audited.

Comparative Balance Sheet - General Fund

	Fiscal Year Ending June 30:	
	<u>2008</u>	<u>2009</u>
Assets:		
Cash	\$ 12,316,517	\$ 15,652,102
Account Receivable	245,352	197,818
Due From Other Funds	546,334	925,195
Due From Other Governments	<u>1,901,187</u>	<u>1,588,952</u>
 Total Assets	 <u>\$ 15,009,390</u>	 <u>\$ 18,364,067</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable	\$ 951,236	\$ 2,152,341
Due to Other Funds	0	172
Due to Other Governments	155	184
Due to Teachers Retirement System	2,255,961	1,997,368
Due to Employees Retirement System	117,830	115,834
Compensated Absences Payable	208,965	208,965
Deffered Revenues	<u>1,158,084</u>	<u>154,045</u>
 Total Liabilites	 <u>4,692,231</u>	 <u>4,628,909</u>
Fund Equity:		
Reserve for Encumbrances	247,743	167,276
Reserved - Other	6,658,029	7,598,815
Unreserved:		
Designated for Subsequent Year's Expenditures	1,100,000	2,550,000
Undesignated	<u>2,311,387</u>	<u>3,419,067</u>
 Total Fund Equity	 <u>10,317,159</u>	 <u>13,735,158</u>
 Total Liabilities and Fund Equity	 <u>\$ 15,009,390</u>	 <u>\$ 18,364,067</u>

Sources: Audited Financial Statements of the District.

NOTE: This table NOT audited

**Budget Summary
General Fund
Fiscal Year Ending June 30:**

	<u>2010(a)</u>	<u>2011(b)</u>
Revenues:		
Real Property Taxes	\$ 38,630,937	\$ 39,018,035
Other Revenue	1,075,000	2,065,000
One-Time Building Aid	0	0
State Sources	18,629,148	18,251,590
Appropriation of Fund Balance	<u>1,750,000</u>	<u>2,550,000</u>
 Total Revenues	 \$ <u>60,085,085</u>	 \$ <u>61,884,625</u>
Expenditures:		
General Support	\$ 7,397,540	\$ 7,479,068
Instruction	35,114,642	35,903,748
Pupil Transportation	4,182,383	4,173,670
Economic Assistance & Opportunity	250	250
Employee Benefits	10,838,899	11,765,882
Debt Service	2,477,871	2,488,507
Interfund Transfers	<u>73,500</u>	<u>73,500</u>
 Total Expenditures	 \$ <u>60,085,085</u>	 \$ <u>61,884,625</u>

(a) Approved by the voters of the District on May 19, 2009

(b) Approved by the voters of the District on May 18, 2010

APPENDIX B

CASH FLOW SUMMARIES

MILLER PLACE UNION FREE SCHOOL DISTRICT

CASH FLOW SCHEDULE 2009-10 (Actual Through May, 2010) (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	15,651	18,944	16,693	16,864	11,177	7,230	5,197	15,427	18,482	20,080	15,719	14,398	15,651 a
Receipts													
Property Taxes (Incl. Library)							12,142	7,297	1,335	621	1,677	12,115	35,187
STAR Payment							4,465						4,465
State Aid	203	464	2,630	237	389	1,663	370	249	4,231	530	1,442	4,980	17,388
BOCES Refund - Prior Year			741				104						845
Other Receipts	44	1	28	46	2	11	2	1	28	84	22	96	365
Interfund Transfers					4	527					166	306	1,003
Interest Income	7	24	9	7	4	2	3	7	8	9	6	7	93
TAN Proceeds	5,046												5,046
BAN Proceeds						1,100							1,100
Total Receipts	5,300	489	3,408	290	399	3,303	17,086	7,554	5,602	1,244	3,313	17,504	65,492
Disbursements													
Salaries	844	243	1,581	4,112	2,601	2,614	2,535	2,976	2,627	3,809	2,771	7,059	33,772
Operating Expenditures	1,160	2,446	1,623	1,161	1,625	1,273	4,113	1,352	1,287	1,629	1,685	4,700	24,054
Debt Service				630	13	184				64	83	981	1,955
BAN Repayment						1,116							1,116
TAN Principal Repayment												6,100	6,100
TAN Interest												75	75
Transfer to Other Funds	3	51	33	74	107	149	208	171	90	103	95	336	1,420
Total Disbursements	2,007	2,740	3,237	5,977	4,346	5,336	6,856	4,499	4,004	5,605	4,634	19,251	68,492
Balance	18,944	16,693	16,864	11,177	7,230	5,197	15,427	18,482	20,080	15,719	14,398	12,651	12,651

(a) Balance as of June 30, 2009

MILLER PLACE UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTION 2010-11 (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance*	5,052	17,232	14,628	13,441	7,507	3,680	961	12,594	13,952	15,726	10,676	9,817	5,052 a
Receipts													
Property Taxes (Incl. Library)							11,912	7,200	1,500	550	2,209	13,000	36,371
STAR Payment							4,465						4,465
State Aid	2,000	450	2,100	100	400	1,600	120	160	4,200	500	2,100	6,522	20,252
Other Receipts	2	1	25	25	3	11	2	1	25	25	25	25	170
Interfund Transfers	50	50	100	100	100	100	100	100	100	100	100	50	1,050
Interest Income	5	20	7	5	3	2	2	5	9	8	9	10	85
TAN Proceeds	12,500												12,500
Total Receipts	14,557	521	2,232	230	506	1,713	16,601	7,466	5,834	1,183	4,443	19,607	74,893
Disbursements													
Salaries	873	251	1,636	4,256	2,512	2,705	2,408	2,953	2,500	3,847	3,045	7,264	34,250
Library								918				900	1,818
Operating Expenses	1,500	2,500	1,750	1,200	1,700	1,400	2,500	1,800	1,400	2,283	2,100	5,019	25,152
Debt Service		322		633	11	177		372		58	87	987	2,647
TAN Principal Repayment												12,500	12,500
Transfer to Other Funds	4	52	33	75	110	150	60	65	160	45	70	180	1,004
Total Disbursements	2,377	3,125	3,419	6,164	4,333	4,432	4,968	6,108	4,060	6,233	5,302	26,850	77,371
Balance	17,232	14,628	13,441	7,507	3,680	961	12,594	13,952	15,726	10,676	9,817	2,574	2,574

*The July 1, 2010 opening balance is approximately \$7.6 million less than the June 30, 2010 closing balance. The District recently reviewed certain of its financial and cash management practices and has determined that, as of July 1, 2010, the use of moneys in certain reserve funds that have been established by the Board of Education pursuant to applicable law should be restricted to the purposes for which such reserves were established. Such reserve funds are accounted for pursuant to Generally Accepted Accounting Principles in the District's General Fund, but they are restricted funds and shall not be used to pay 2010-2011 General Fund operating expenses.

(a) Estimated balance as of June 30, 2010