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

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2019

NEW ISSUE
SERIAL BONDS

BOOK-ENTRY-ONLY BONDS
RATING – MOODY'S INVESTOR SERVICE: " "
See "Bond Rating", herein

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 Bonds 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 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statues, interest on the Bonds 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 District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT OF HUNTINGTON AND BABYLON

SUFFOLK COUNTY, NEW YORK

(the "District")

$14,500,000* SCHOOL DISTRICT LIBRARY SERIAL BONDS – 2019

(the "Bonds")

See Bond Maturity Schedule Herein

Security and Sources of Payment: The Bonds are general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount.

Prior Redemption: The Bonds maturing on June 15, 2027 and thereafter are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date on or after June 15, 2026. (See "*Optional Redemption*" under "*THE BONDS*," herein.)

Form and Denomination: The Bonds will be issued as registered bonds, 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 Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their interests in the Bonds purchased. (See "*Book-Entry-Only System*" under "*THE BONDS*," herein.)

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds 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-Only System*" under "*THE BONDS*," herein.)

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on January 24, 2019 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Bonds 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 Bonds in book-entry form will be made through the facilities of DTC on or about February 6, 2019 in New York, New York.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE DATE THEREOF. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

---

*Preliminary, subject to change.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK

$14,500,000* SCHOOL DISTRICT LIBRARY SERIAL BONDS - 2019

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: **June 15, 2019-2038, inclusive**
Interest Due: **June 15, 2019, December 15, 2019 and semi-annually thereafter on June 15 and December 15 in each year to maturity**

Amount**	Maturity	Rate	Price or Yield	CUSIP #
$ 815,000	2019			
515,000	2020			
530,000	2021			
550,000	2022			
570,000	2023			
590,000	2024			
615,000	2025			
635,000	2026			
660,000	2027***			
680,000	2028***			
705,000	2029***			
735,000	2030***			
760,000	2031***			
785,000	2032***			
815,000	2033***			
845,000	2034***			
875,000	2035***			
905,000	2036***			
940,000	2037***			
975,000	2038***			

*Preliminary, subject to change.
**Amounts are subject to adjustment by the District following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds.
***Subject to redemption prior to maturity. (See "*Optional Redemption*" herein.)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK

525 Half Hollow Road
Dix Hills, New York 11746
Telephone: 631/592-3030
Fax: 631/592-3930

BOARD OF EDUCATION

Eric Geringswald, President
Betty DeSabato, Vice President

Diana Acampora
Stephanie Gurin
David Kaston
Adam Kleinberg
Michael Prywes

Superintendent of Schools
Patrick Harrigan, Ed.D.

Assistant Superintendent for Finance and Facilities
Anne Marie Marrone Caliendo

District Clerk
Rosanne Marini

District Treasurer
Donald G. Pearce, CPA

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

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

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

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

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OFFICIAL STATEMENT

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON
SUFFOLK COUNTY, NEW YORK

$14,500,000 SCHOOL DISTRICT LIBRARY SERIAL BONDS – 2019

[BOOK–ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to Half Hollow Hills Central School District of Huntington and Babylon, in the County of Suffolk, in the State of New York (the "District", the “County” and the "State," respectively) in connection with the sale of $14,500,000 School District Library Serial Bonds - 2019 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on June 15 in each of the years 2019 to 2038, inclusive, as set forth on the inside cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable on June 15, 2019, December 15, 2019 and semiannually thereafter on June 15 and December 15 in each year to maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The Record Date of the Bonds will be the last business day of the calendar month preceding each interest payment date.

The District will act as Paying Agent to the Bonds. The District’s Paying Agent contact information is as follows: Anne Marie Marrone Caliendo, Assistant Superintendent of Finance and Facilities, Half Hollow Hills Central School District of Huntington and Babylon, 525 Half Hollow Road, Dix Hills, NY 11746, Phone (631) 592-3030, Fax (631) 592-3930 and email: acaliendo@hhh.k12.ny.us.

Optional Redemption

The Bonds maturing on or before June 15, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on June 15, 2027 and thereafter, will be subject to redemption, at the option of the District, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after June 15, 2026, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption.

If less than all of any of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the District by lot in any customary manner of selection as determined by the District. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC.

DTC is 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 facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Effective August 9, 2011, Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

Principal and interest payments on the Bonds 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 the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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, Bond certificates will be printed and delivered to DTC.

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

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the District takes no responsibility for the accuracy thereof. In addition, the District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, and a replacement book-entry securities depository is not appointed, the Bonds will be issued in registered form in denominations of $5,000, or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the President of the Board authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued in accordance with the Constitution and statues of the State of New York, including the Education Law and the Local Finance Law, and pursuant to a Bond Resolution duly adopted by the Board of Education of the District on October 23, 2017, following the approval of a bond proposition by a majority of the qualified voters of the District voting thereon at the Special District Meeting held on October 3, 2017, to finance the cost of construction of a new library building to replace the existing building located at 55 Vanderbilt Parkway in Dix Hills. The proceeds of the Bonds, along with additional library funds in the amount of $4,715,513, will finance such project. The total estimated cost of the project is $19,215,513.

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

Security and Source of Payment

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

The Bonds 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 Bonds, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. Chapter 97 of the New York Laws of 2011, as amended, (the "Tax Levy Limit Law") imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy above a certain specified amount. However, the Tax Levy Limit Law expressly provides an exception from the annual tax levy limitation for any taxes levied to pay debt service on bonds or notes issued to finance and/ or refinance voter approved capital expenditures. As the Bonds are being issued to finance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law. (See "*The Tax Levy Limit Law*," herein.)

REMEDIES UPON DEFAULT

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

Upon default in the payment of principal of or interest on the Bonds at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Bonds, the owner of such Bonds could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

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

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

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp*., 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the 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 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 the 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 such successive allotments, apportionments or payment 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 the SFL.

NO PAST DUE DEBT

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

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

THE DISTRICT

Description

The District, which comprises an area of approximately 35 square miles and has an estimated population of 50,000, is located within the towns of Babylon and Huntington, Suffolk County, New York, approximately 35 miles east of New York City. The District includes the unincorporated communities of Melville, Dix Hills, Wheatley Heights, small portions of Deer Park, Farmingdale and East Northport and is primarily residential in nature, but includes some significant commercial and industrial development. Commercial and industrial properties located within the District include Verizon, Estee Lauder Inc., Melville Industrial Association, Bank of America and Newsday.

Electricity and natural gas are provided by the PSEG Long Island and National Grid; telephone service by Verizon; water supply and distribution by the Suffolk County Water Authority and municipal water districts; and public safety by the Suffolk County Police Department and three volunteer fire departments.

Other commercial development includes office buildings, medical group facilities, and large retail facilities. In addition to employment opportunities with the District, residents commute to New York City, to nearby industrial parks, and to the Suffolk County Office Building Center and the State Office Building, both of which are located in Hauppauge.

Transportation to New York City is furnished by the Long Island Railroad, with stations located nearby in Huntington Station, Farmingdale, Amityville, Wyandanch and Deer Park. Major highways in the District are the Northern State Parkway, the Long Island Expressway and New York State Route 110.

District Organization

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

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

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Finance and Facilities.

Enrollment History

The following table presents the current and past school enrollment for the District.

School Year	School Enrollment
2014-2015	8,853
2015-2016	8,491
2016-2017	8,275
2017-2018	8,030
2018-2019	7,413

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

School Year	School Enrollment
2019-2020	7,146
2020-2021	6,927

Source: District Officials.

District Facilities

The District operates 15 schools and offices; statistics relating to each are shown below.

Name of School	Year Built	Type	Capacity	Insured Value
Chestnut Hill Elementary [a]	1970	K-5	-	$24,070,680
Forest Park Elementary [a]	1964	K-5	-	22,710,700
Otsego Elementary	1967	K-5	684	23,850,300
Paumanok Elementary	1968	K-5	636	23,775,930
Signal Hill Elementary	1968	K-5	636	23,712,780
Sunquam Elementary	1952	K-5	828	29,335,450
Vanderbilt Elementary	1966	K-5	688	24,247,080
Candlewood Middle School	1965	6-8	1,682	51,182,270
West Hollow Middle School	1970	6-8	1,810	63,894,520
High School East	1961	9-12	2,300	106,739,750
High School West	1975	9-12	1,670	70,708,810
Central Office	1962	Office	N/A	20,200,740
Transportation Center	1966	Office	N/A	2,873,840
Bus Storage Facility	2009	Bus Lot	-	1,333,080
Natatorium	1981	-	-	3,779,170

a. Currently not used as student-occupied space.

Employees

The District provides services through approximately 1,843 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract	Approx. No. of Members
Half Hollow Hill Teachers' Association	06/30/19	749
Half Hollow Hills Administrators' Association	06/30/21	40
Half Hollow Hills Association of Office Personnel	06/30/20	81
Local 237, I.B.T. (Custodial)	06/30/21	92
Div. 1181-1061 Amal. Trans., AFL-CIO	06/30/20	57
Half Hollow Hills Paraprofessional Association	06/30/21	380
Half Hollow Hills Substitute Teachers' Association	06/30/21	266
Local 237, I.B.T. (Food Service)	06/30/20	55
Half Hollow Hills Association of Monitors	06/30/21	123

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the District, the Towns of Babylon and Huntington and the County of Suffolk.

Year	District	Town of Huntington (%)	Town of Babylon (%)	Suffolk County (%)
2009	48,074	202,047	220,163	1,511,028
2010	48,481	204,784	218,679	1,511,392
2012	47,761	203,735	213,860	1,499,273
2015	47,228	204,410	213,750	1,501,587
2016	46,292	203,974	213,254	1,498,130

Source: U.S. Bureau of the Census.

Income Data

The information set forth below with respect to such Towns is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the Towns or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2016[a]
District	-	-	$52,252	$57,048
Town of Huntington	$24,810	$36,390	47,519	50,830
Town of Babylon	16,726	22,844	31,816	32,811
Suffolk County	18,481	26,577	36,819	38,779
New York State	16,501	23,389	32,104	34,212

	Median Household Income			
	1990	2000	2010	2016[a]
District	-	-	$115,052	$125,675
Town of Huntington	$60,530	$82,528	102,782	109,868
Town of Babylon	47,074	60,064	77,407	81,522
Suffolk County	49,128	65,288	84,506	90,128
New York State	32,965	43,393	55,603	60,741

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2012-2016)

Economy

The portion of the District which is situated in the Town of Huntington (approximately 85% of the area), contains the highest density of residential zoning in said Town. Industrial and commercial construction has been active in the vicinity of the Long Island Expressway and New York State Route 110. Major taxpayers include Verizon, Estee Lauder, Inc., Melville Industrial Association, Huntington Quadrangle, Newsday and two major hotels. It is estimated that at least 40% of the assessed value in the Town of Babylon and 33% of the assessed value in the Town of Huntington consist of industrial and commercial properties. The State of New York pays taxes to the District on behalf of Farmingdale State University of New York, Pilgrim State Hospital and the Long Island Developmental Center (LIDC).

The Walt Whitman Shops, located within the Town of Huntington outside the District, has undergone an extensive renovation and expansion in recent years. Major nationally known retail chains that currently anchor the mall are Bloomingdales, Lord & Taylor, Macy's, and Saks Fifth Avenue. The mall encompasses 1,043,000 sq. ft. and includes approximately 98 satellite stores.

Canon USA's construction of its American Regional Headquarters in the Town of Huntington is completed. Canon USA will develop a 786,000-square foot state of the art corporate center in two (2) phases and is expected to employ approximately 2,060 people at this location by 2020. A regional economic analysis of the project estimates that Canon USA will initially inject approximately $459 million into the local economy as a result of the construction. According to such analysis, secondary economic impacts of the construction and related equipment purchases are expected to generate an additional $350 million for the local economy.

Selected Listing of Larger Employers in the Town of Huntington
(As of 2018)

Name of Employer	Nature of Business	Employees
Huntington Hospital	Hospital	2,000
Northport Veterans Affairs Medical Center	Healthcare	2,000
Canon	Imaging Products	1,800
Estee Lauder, Inc.	Cosmetics	1,500
Half Hollow Hills CSD	Education	1,416
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Western Suffolk BOCES	Education	1,317
Newsday	Newspaper	1,228
Marchon Eyewear	Healthcare	1,055
Northport-East Northport UFSD	Education	1,030
South Huntington UFSD	Education	1,030

Source: Town of Huntington. Certain of the above employees are not located within the District.

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) are the Towns of Huntington and Babylon. The information set forth below with respect to such Towns is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Towns or vice versa.

Annual Averages:	Town of Babylon (%)	Town of Huntington (%)	Suffolk County (%)	New York State (%)
2013	7.2	5.6	6.5	7.7
2014	5.7	4.5	5.3	6.4
2015	5.3	4.2	4.8	5.3
2016	4.7	3.8	4.3	4.8
2017	4.8	4.1	4.5	4.7
2018 (10-Month Average)	4.4	3.7	4.1	4.3

Source: Department of Labor, State of New York

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 Bonds:

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

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

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

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

Statutory Procedure

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

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

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

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

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any 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:

Computation of Debt Limit and Debt Contracting Margin
(As of January 16, 2019)

In Town of: (2018-2019)[a]	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Huntington	$80,221,050	0.80	$10,027,631,250
Babylon	15,305,383	1.07	1,430,409,626
Totals	$95,526,433		$11,458,040,876
Debt Limit - 10% of Full Valuation			1,145,804,088
Inclusions:[b]			
Outstanding Bonds			$28,750,000
Bond Anticipation Notes			0
Total Indebtedness			$28,750,000
Exclusions (Estimated Building Aid)[c]			11,528,750
Total Net Indebtedness Before the Issuance of the Bonds			17,221,250
The Bonds:			14,500,000
Less: BANs to be Redeemed by the Issuance of the Bonds			0
Net Effect of the Bonds			14,500,000
Total Net Indebtedness After the Issuance of the Bonds			31,721,250
Net Debt Contracting Margin			$1,114,082,838
Per Cent of Debt Contracting Margin Exhausted (%)			2.77%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the 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.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has tax anticipation notes outstanding in the amount of $41,000,000 which mature June 27, 2019. Such amount is expected to be paid in full with the receipt of the District's tax levy for the current fiscal year.

Trend of Outstanding Indebtedness
As at June 30:

	2014	2015	2016	2017	2018
Bonds	$50,340,000	$45,340,000	$40,315,000	$35,185,000	$29,865,000
BANs	0	0	0	0	0
Energy Performance Contract	13,502,561	10,591,509	6,731,810	6,056,024	5,493,912
Total	$63,842,561	$55,931,509	$47,046,810	$41,241,024	$35,358,912

Sources: Audited Financial Statements, Munistat Services, Inc. and District Officials

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$5,460,000	$1,317,494	$6,777,494
2020	5,590,000	1,079,513	6,669,513
2021	5,765,000	812,750	6,577,750
2022	4,015,000	537,250	4,552,250
2023	4,175,000	375,650	4,550,650
2024	3,085,000	173,775	3,258,775
2025	1,775,000	71,000	1,846,000
Totals:	$29,865,000	$4,367,432	$34,232,432

Sources: Audited Financial Statements, Munistat Services, Inc. and District Officials
a. Does not include payments made to date.

Debt Service Requirements - Energy Performance Contracts[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$578,991	$154,621	$733,612
2020	595,845	137,767	733,612
2021	613,189	120,423	733,612
2022	631,038	102,574	733,612
2023	649,407	84,205	733,612
2024	668,311	65,301	733,612
2025	687,764	45,848	733,612
2026	707,784	25,828	733,612
2027	361,581	5,225	366,806
Totals:	$5,493,910	$741,792	$6,235,702

Sources: Audited Financial Statements, Munistat Services, Inc. and District Officials
a. Does not include payments made to date.

Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes which borrowing is necessitated by the schedule of real property tax and State aid revenue payments. The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

Fiscal Year Ending June 30:	Amount	Issue	Maturity
2015	$43,500,000	10/09/2014	06/25/2015
2016	42,500,000	10/20/2015	06/28/2016
2017	41,000,000	10/13/2016	06/27/2017
2018	41,000,000	10/17/2017	06/27/2018
2019	41,000,000	10/18/2018	06/27/2019

Authorized and Unissued Debt

As of the date of this Official Statement, the District has authorized and unissued debt outstanding in the amount of $14,500,000 for construction of a new library building, which will be financed by the issuance of the Bonds.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	05/25/2018	6.10	$141,526,369	$76,878,429
Town of Huntington	06/20/2018	24.80	26,049,919	17,907,728
Town of Babylon	12/31/2017	8.22	12,623,454	12,156,558
Dix Hills Fire Department	05/25/2018	100.00	6,500,000	6,390,000
Melville Fire Department	12/31/2017	100.00	0	0
Totals			$186,699,742	$113,332,715

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

Debt Ratios
(As of January 16, 2019)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$28,750,000	$ 621	0.25
Net Direct Debt	17,221,250	372	0.15
Total Direct & Applicable Total Overlapping Debt	215,449,742	4,654	1.88
Net Direct & Applicable Net Overlapping Debt	130,553,965	2,820	1.14

a. The current population of the District is 46,692.

b. The full valuation of taxable property is $11,458,040,876.

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, 2018. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

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

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 facility projects, 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

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See *"The Levy Limit Law"* herein).

On May 15, 2018, a majority of the voters of the District approved the District's budget for the 2018-2019 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2017-2018 and 2018-2019 may be found in Appendix A, herein.

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

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2014 through 2018, inclusive and the 2019 budget.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2014	$220,062,413	$26,168,373	11.89
2015	224,109,798	27,350,753	12.20
2016	231,031,213	29,268,029	12.67
2017	235,091,985	32,391,682	13.78
2018	240,112,179	32,611,723	13.58
2019 (Budgeted)[a]	253,611,084	31,646,046	12.48

Source: Audited Financial Statements of the District and Adopted Budget of the District.
a. Budgeted revenues include the application of reserves and fund balance.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2012 to 2018 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State's 2018-2019 Budget was adopted on March 30, 2018, in advance of the April 1 deadline, the State's 2017-2018 Budget was adopted on April 9, 2017, a delay of approximately 8 days. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. The District does not have plans to establish a charitable fund at this time.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

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

After further litigation in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER* v. *State of New York* has been filed recently on behalf of the State's public-school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE* v. *State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of $936.6 million in State aid for school districts.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The State's 2014-2015 Budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested $1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of $1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State's 2016-2017 Budget included a school aid increase of $991 million over 2015-2016, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the State's 2016-2017 Budget included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase ($100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

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

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

Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under State aid formulas). The District's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State's 2016-2017 Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $2.7 million.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

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.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

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

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

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 0.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on August 19, 2016. The purpose of the audit was to examine the District's procurement procedures for the period July 1, 2014 through March 31, 2016. The complete report, along with the District's response, may be found on the OSC's official website.

References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

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

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

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

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required 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 payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

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

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

The primary purpose of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with assistance in its ability to create a fiscal plan. However, although such programs provide relief in the short-term deferring retirement contributions may result in increased interest expensive over time. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the budgeted amount for the fiscal year 2019.

Fiscal Year Ending June 30:	TRS	ERS
2014	$14,634,127	$4,009,887
2015	16,229,821	5,242,459
2016	12,292,784	4,576,643
2017	11,023,118	3,865,062
2018	9,295,354	4,600,065
2019 (Budgeted)	10,568,837	5,172,509

Source: District Officials.

Other Post-Employment Benefits

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

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The District's total OPEB liability at June 30, 2018 is as follows:

Changes in the Total OPEB Liability	Fiscal Year Ending June 30, 2018:
Total OPEB liability as of June 30, 2017	$401,232,311
Changes for the year:	
Service Cost	18,450,758
Interest	12,414,015
Differences between actual and expected experience	520,191
Benefit payments	(11,852,734)
Total Changes	$19,532,230
Total OPEB liability as of June 30, 2018	$420,764,541

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

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 Towns of Huntington and Babylon. 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; however, see "*The Tax Levy Limit Law*" herein for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the amount of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2014 through 2018, inclusive and for the amount budgeted for the 2019 fiscal year.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2014	$220,062,413	$174,939,452	79.50
2015	224,109,798	193,508,624	86.35
2016	231,031,213	198,621,041	85.97
2017	235,091,985	199,248,409	84.75
2018	240,112,179	204,063,467	84.99
2019 (Budgeted) [a]	253,611,084	204,436,140	80.61

Source: Audited Financial Statements of the District and Adopted Budget of the District.
a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

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.

The Tax Levy Limit Law

Chapter 97 of the Laws of 2011, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

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

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures (such as the Bonds) and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

Approximately 7% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District received full reimbursement of such exempt taxes from the State in January, 2018. Approximately 6% of the District's 2018-2019 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2019. (See *"State Aid"* herein).

Rebate Program

Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved "government efficiency plan" which demonstrated three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received $130, and eligible taxpayers who resided outside the MCTD received $185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of Chapter 97.While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

Valuations, Rates and Levies

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2015 through 2019.

	2015	2016	2017	2018	2019
Town of Huntington:					
Assessed Valuation	$ 82,278,908	$ 81,546,845	$ 81,132,817	$ 80,788,857	$ 80,221,050
Equalization Rate	0.89%	0.86%	0.85%	0.84%	0.80%
Full Valuation	9,244,821,124	9,482,191,279	9,545,037,294	9,617,721,071	10,027,631,250
Tax Levy[a]	166,549,946	169,783,363	170,219,969	173,031,594	177,281,143
Tax Rate per $1,000 of Assessed Valuation	2,024.21	2,082.03	2,098.04	2,141.78	2,209.91
Town of Babylon:					
Assessed Valuation	$ 15,450,099	$ 15,534,800	$ 15,536,537	$ 15,203,548	$ 15,305,383
Equalization Rate	1.25%	1.19%	1.18%	1.12%	1.07%
Full Valuation	1,236,007,920	1,305,445,378	1,316,655,678	1,357,459,643	1,430,409,626
Tax Levy[a]	24,344,268	25,580,901	25,497,778	26,407,315	27,137,669
Tax Rate per $1,000 of Assessed Valuation	1,575.67	1,646.68	1,641.15	1,736.92	1,773.08
Totals:					
Assessed Valuation	$ 97,729,007	$ 97,081,645	$ 96,669,354	$ 95,992,405	$ 95,526,433
Full Valuation	10,480,829,044	10,787,636,657	10,861,692,972	10,975,180,714	11,458,040,876
Tax Levy[a]	190,894,214	195,364,264	195,717,748	199,438,909	204,418,812

Source: Towns of Huntington and Babylon.
a. Tax levies do not include STAR.

Selected Listing of Large Taxable Properties in the District
2017-2018 Assessment Roll

Name	Type	Assessed Valuation
Reckson Operating Partnership	Commercial	$ 801,465
LIPA	Utility	746,085
Long Island Power Authority	Utility	549,436
Avalon Bay Communities, Inc.	Commercial	526,303
Estee Lauder Inc.	Commercial	469,700
Grandview Hotel Limited	Hotel	425,000
3HQ Partners LLC	Commercial	425,000
CLK-HP 300 Broadhollow LLC	Office Building	380,000
445 Melville LLC	Office Building	358,000
Long Island Lighting Co.	Utility	351,229
Huntington Quadrangle 2, LLC	Office Building	350,000
Tribune ND Inc	Commercial	346,000
Solal Realty LTD Partnership	Commercial	325,000
Huntington Quadrangle #1 Company, LLC	Commercial	325,000
Blue Pearl Hospitality LLC	Hotel	325,000
BEWCO Corporation	Commercial	305,000
Keyspan Corporation	Utility	300,712
We're Developing, LLC	Commercial	288,000
Elwood Properties, Inc.	Commercial	270,000
UL LLC	Commercial	263,500
	Total	$8,130,430

a. Represents 8.51% of the total assessed valuation of the District for 2018-2019.
Source: Town Assessment Rolls.

Tax Certiorari Claims

In common with other school districts, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of District taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. There are no significant claims filed by the larger taxpayers at this time. (See "*Tax Collection Procedure*" herein.)

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.

DISCLOSURE UNDERTAKING

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will execute a Certificate to Provide Notices of Events, the form of which is attached hereto as Appendix D.

Disclosure Compliance History

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2014	11/26/2014	10/22/2014
2015	12/18/2015	11/18/2015
2016	12/09/2016	10/27/2016
2017	11/27/2017	10/24/2017
2018	12/04/2018	12/04/2018

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Bonds, 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. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Bonds.

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

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

The District is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The District's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the District fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the District is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" under "FINANCIAL INFORMATION" herein.)

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

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

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

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats. To mitigate the risk of business operations, the District actively manages various forms of cybersecurity and operational controls, contracts yearly with outside independent auditors to evaluate, assess and constantly improve existing processes and procedures, and has invested in school cyber insurance to mitigate liability and the cost of remedy should a cyber attack occur.

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 Bonds 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 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, 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 Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds 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 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

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

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 Bonds in order that interest on the Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. 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 Bonds.

Prospective owners of the Bonds 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 Bonds 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 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of the Bonds 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 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds 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 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond 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 Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. 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 Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds 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 Bonds.

Bond Premium

In general, if an owner acquires a Bond 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 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the note premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond 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 Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond 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 Bond may realize a taxable gain upon disposition of the Premium Bond 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 Bonds should consult their own tax advisors regarding the treatment of bond 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 bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

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

If an owner purchasing a Bond 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 Bonds 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, could adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Bonds.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially in the form set forth in Appendix C hereto.

RATING

The District has applied to Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, for a rating on the Bonds. Such application is pending at this time. Moody's Investors Service Inc. ("Moody's") has assigned a rating of "Aa1" to the outstanding bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the outstanding bonds and notes or the availability of a secondary market for such bonds and notes.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Anne Marie Marrone Caliendo, Assistant Superintendent of Finance and Facilities, Half Hollow Hills Central School District of Huntington and Babylon, 525 Half Hollow Road, Dix Hills, NY 11746, Phone (631) 592-3030, Fax (631) 592-3930 and email: acaliendo@hhh.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

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

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

The preparation and distribution of this Official Statement has been authorized by the Bond Resolution of the District, which delegates to the President of the Board of Education the power to sell and issue the Bonds.

By: s/s ERIC GERINGSWALD
President of the Board of Education
Half Hollow Hills Central School District of Huntington and Babylon
Dix Hills, New York

January , 2019

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	2014	2015	2016	2017	2018
Revenues:					
Real Property Taxes	$ 174,939,452	$ 178,513,665	$ 182,731,977	$ 183,952,382	$ 188,047,459
Other Tax Items - Including STAR	15,736,207	14,994,959	15,889,064	15,296,027	16,016,008
Charges for Services	1,565,351	1,999,859	1,648,377	1,515,719	1,668,164
Use of Money and Property	199,047	368,450	467,856	451,126	896,924
Sale of Property & Compensation for Loss	799,424	106,636	101,111	202,622	93,367
Miscellaneous	560,401	773,867	809,237	787,866	661,961
Interfund Revenues	1,609	1,609		2,798	
State Sources	26,168,373	27,350,753	29,268,029	32,391,682	32,611,723
Federal Sources	92,549	0	31,777	384,980	
Medicaid Reimbursements			83,785	106,783	116,573
Total Revenues	220,062,413	224,109,798	231,031,213	235,091,985	240,112,179
Expenditures:					
General Support	18,339,236	19,379,513	19,910,379	20,280,907	20,460,405
Instruction	120,707,840	121,698,183	128,474,560	130,065,745	133,025,380
Pupil Transportation	12,542,467	13,264,392	13,887,845	13,974,977	14,392,272
Community Service	109,978	124,999	119,527	116,612	101,139
Employee Benefits	55,009,886	56,065,596	54,166,741	57,750,422	57,322,573
Debt Service	57,891	42,972	71,659	263,336	303,354
Total Expenditures	206,767,298	210,575,655	216,630,711	222,451,999	225,605,123
Other Sources and Uses:					
Operating Transfers (In)		2,089		5,917	
Operating Transfers (Out)	(9,981,145)	(12,879,725)	(13,470,884)	(10,987,889)	(12,923,646)
Total Other Sources and Uses	(9,981,145)	(12,877,636)	(13,470,884)	(10,981,972)	(12,923,646)
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,313,970	656,507	929,618	1,658,014	1,583,410
Net Adjustments to Fund Balances					
Fund Balance - Beg. of Year	38,229,916	41,543,886	42,200,393	43,130,011	44,788,025
Fund Balance - End of Year	$ 41,543,886	$ 42,200,393	$ 43,130,011	$ 44,788,025	$ 46,371,435

Sources: Audited Financial Statements of the District (2014-2018)
NOTE: This table NOT audited

Balance Sheet - General Fund
Fiscal Year Ended June 30:

	2016	2017	2018
ASSETS:			
Cash			
Unrestricted	$ 20,722,176	$ 24,065,131	$ 22,831,150
Restricted	30,088,045	32,077,591	33,073,429
Receivables:			
Accounts Receivable	196,682	282,319	222,001
State and Federal Aid	2,432,817	2,990,927	2,585,767
Due From Other Governments	3,834,545	3,549,907	4,048,544
Due From Other Funds	5,735,151	1,615,325	2,438,969
Total Assets	$ 63,009,416	$ 64,581,200	$ 65,199,860
LIABILITIES:			
Payables:			
Accounts Payable	$ 3,269,376	$ 4,118,864	$ 4,036,125
Accrued Liabilities	319,714	272,906	447,874
Due To Other Funds		266,015	264,874
Due To Teachers' Retirement System	12,698,823	11,378,604	9,642,790
Due To Employees Retirement System	1,452,837	1,231,170	1,420,075
Deferred Revenues	1,947,788	2,257,830	2,684,445
Collections in Advance			112,500
Compensated Absences	190,867	267,786	219,742
Total Liabilities	$ 19,879,405	$ 19,793,175	$ 18,828,425
FUND BALANCES:			
Non-spendable			
Restricted	$ 27,629,818	$ 30,088,045	$ 32,730,051
Assigned	5,024,257	3,390,020	3,496,941
Unassigned	9,546,318	9,651,946	10,144,443
Total Fund Balances	42,200,393	43,130,011	46,371,435
Total Liabilities and Fund Balances	$ 62,079,798	$ 62,923,186	$ 65,199,860

Sources: Audited Financial Statement for the Fiscal Years Ending 2016-2018
NOTE: This table NOT audited

Budget Summary
Fiscal Year Ending June 30:

	2018-2019(a)	2017-2018(b)
Revenues:		
Real Property Taxes	$ 204,436,140	$ 199,504,372
Other Real Property Tax Items	4,290,231	3,610,515
Charges for Services	1,255,000	1,221,180
Use of Money and Property	1,100,000	877,625
Sale of Property & Comp. for Loss	375,000	390,000
Miscellaneous Income	102,000	102,000
State Aid	31,646,046	32,062,007
Federal Aid	90,000	50,000
Appropriation of Fund Balance from Prior Fiscal Year	2,500,000	2,500,000
Reserves	7,816,667	7,729,866
Total Revenues	$ 253,611,084	$ 248,047,565
Expenditures:		
General Support	$ 22,631,729	$ 22,466,775
Instruction	137,863,275	137,174,900
Pupil Transportation	15,383,731	14,895,351
Community Services	126,400	126,405
Employee Benefits	63,983,794	60,365,245
Debt Service/Interfund Transfers	13,622,155	13,018,889
Total Expenditures	$ 253,611,084	$ 248,047,565

(a) Approved by the voters of the District on May 15, 2018
(b) Approved by the voters of the District on May 16, 2017

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
OF HUNTINGTON AND BABYLON

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Half Hollow Hills Central School District
Dix Hills, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Half Hollow Hills Central School District's basic financial statements. The other supplementary information on pages 55 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of the Half Hollow Hills Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Half Hollow Hills Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 31, 2018

The Half Hollow Hills Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

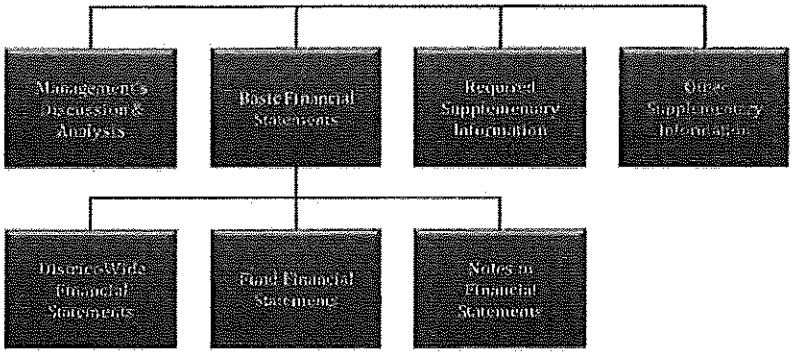
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position (deficit) at June 30, 2017 was restated and increased by $293,066,360, as a result of the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The District's total net position (deficit), as reflected in the district-wide financial statements increased by $15,465,965 over the prior year, which is a deficit of $275,065,613, as of June 30, 2018.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $263,344,383. Of this amount, $9,095,157 was offset by program charges for services and operating grants. General revenues of $238,783,261 amount to 96.3% of total revenues.
- The general fund's total fund balance, including restricted, assigned and unassigned balances, increased by $1,583,410 to $46,371,435. Total revenues were $240,112,179 and expenditures and other uses totaled $238,528,769.
- The District's 2018 property tax levy of $199,504,372 was a 1.93% increase over the 2017 tax levy and was equal to the property tax cap.
- The budget for the 2018-2019 school year in the amount of $253,611,084 was approved by the voters on May 15, 2018.
- The District aggressively and consistently managed its expenses throughout the year to ensure its year-end results created a strong foundation for entering into the 2018-2019 school year, knowing that the District would be under even further financial constraints, as employee benefit costs continue to rise and property tax increases are limited by the property tax cap. These constraints create a challenging financial environment for the District.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental

fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school food service fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by $15,465,965 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by $293,066,360, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 70,793,706	$ 67,519,106	$ 3,274,600	4.85 %
Capital Assets, Net	103,883,355	108,716,205	(4,832,850)	(4.45)%
Net Pension Asset - Proportionate Share	4,520,958		4,520,958	0.00 %
Total Assets	179,198,019	176,235,311	2,962,708	1.68 %
Deferred Outflows of Resources	71,951,278	70,749,395	1,201,883	1.70 %
Liabilities				
Current and Other Liabilities	16,674,362	18,065,302	(1,390,940)	(7.70)%
Long-Term Liabilities	61,907,958	67,714,830	(5,806,872)	(8.58)%
Net Pension Liability - Proportionate Share	3,416,072	15,753,288	(12,337,216)	(78.32)%
Total OPEB Obligation	420,764,541	401,232,311	19,532,230	4.87 %
Total Liabilities	502,762,933	502,765,731	(2,798)	(0.00)%
Deferred Inflows of Resources	23,451,977	3,818,623	19,633,354	514.15 %
Net Position (Deficit)				
Net Investment in Capital Assets	68,524,443	67,474,679	1,049,764	1.56 %
Restricted	33,563,923	32,562,690	1,001,233	3.07 %
Unrestricted (Deficit)	(377,153,979)	(359,637,017)	(17,516,962)	4.87 %
Total Net Position (Deficit)	$ (275,065,613)	$ (259,599,648)	$ (15,465,965)	5.96 %

Current and other assets increased by $3,274,600 to $70,793,706. This was primarily due to an increase in cash of $2,012,155, amounts due from state and federal of $522,976 and amounts due from other governments of $498,637.

Capital assets, net decreased during the year by $4,832,850. The District capitalized $3,787,568 of construction costs and equipment purchases, which was offset by depreciation expense in the amount of $8,620,418.

Net pension asset – proportionate share has a balance of $4,520,958, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

Deferred outflows of resources represents contributions to the retirement and OPEB plans subsequent to the measurement dates, actuarial adjustments at the plan level that will be amortized in future years and deferred charges from prior year bond refundings that are being amortized over the remaining term of the bonds.

Current and other liabilities decreased $1,390,940, as compared to the prior year. This decrease is primarily due to a decrease in accounts payable of $300,750 and the decrease in the District's required contribution to the New York State and Local Employees' and Teachers' Retirement Systems of $1,735,814, as the employer contribution rates were reduced. These decreases were offset by increases in accrued liabilities of $129,678, due to other governments of $264,860, and due to employees' retirement system of $188,905.

Long-term liabilities decreased by $5,806,872, as compared to the prior year, principally due to the principal repayment of $5,320,000 on outstanding serial bonds and $562,614 on the energy performance contract debt.

Net pension liability – proportionate share decreased by $12,337,216 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The June 30, 2018 amount does not have any liability for the New York State Teachers' Retirement System as the ending balance is an asset.

Total other postemployment benefits (OPEB) obligation increased by $19,532,230, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension plans that will be amortized in future years.

The net investment in capital assets is calculated by taking the total cost of all asset acquisitions, net of accumulated depreciation and subtracting the amount of outstanding debt used for these acquisitions. The total cost of asset acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations. This amount increased by $1,049,764 over the prior year.

The restricted amount of $33,563,923 relates to the District's reserves. This amount increased over the prior year by $1,001,233. The increase to the restricted amount is due to Board approved additions totaling $7,781,158 and interest earnings of $312,768, net of the use of restricted amounts to pay current period expenses totaling $7,092,693.

The unrestricted deficit amount of $(377,153,979) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. The deficit increased over the prior year by $17,516,962.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 3,768,530	$ 3,760,683	$ 7,847	0.21 %
Operating Grants	5,326,627	5,635,435	(308,808)	(5.48)%
General Revenues				
Property Taxes and STAR	199,505,157	195,724,954	3,780,203	1.93 %
State Sources	32,611,723	32,391,682	220,041	0.68 %
Other	6,666,381	5,238,257	1,428,124	27.26 %
Total Revenues	247,878,418	242,751,011	5,127,407	2.11 %
Expenses				
General Support	27,538,295	27,535,090	3,205	0.01 %
Instruction	213,772,921	209,554,022	4,218,899	2.01 %
Pupil Transportation	17,188,982	16,506,724	682,258	4.13 %
Community Service	161,124	186,529	(25,405)	(13.62)%
Debt Service - Interest	1,627,113	1,721,943	(94,830)	(5.51)%
Food Service Program	3,055,948	3,180,080	(124,132)	(3.90)%
Total Expenses	263,344,383	258,684,388	4,659,995	1.80 %
Decrease in Net Position	$ (15,465,965)	$ (15,933,377)	$ 467,412	(2.93)%

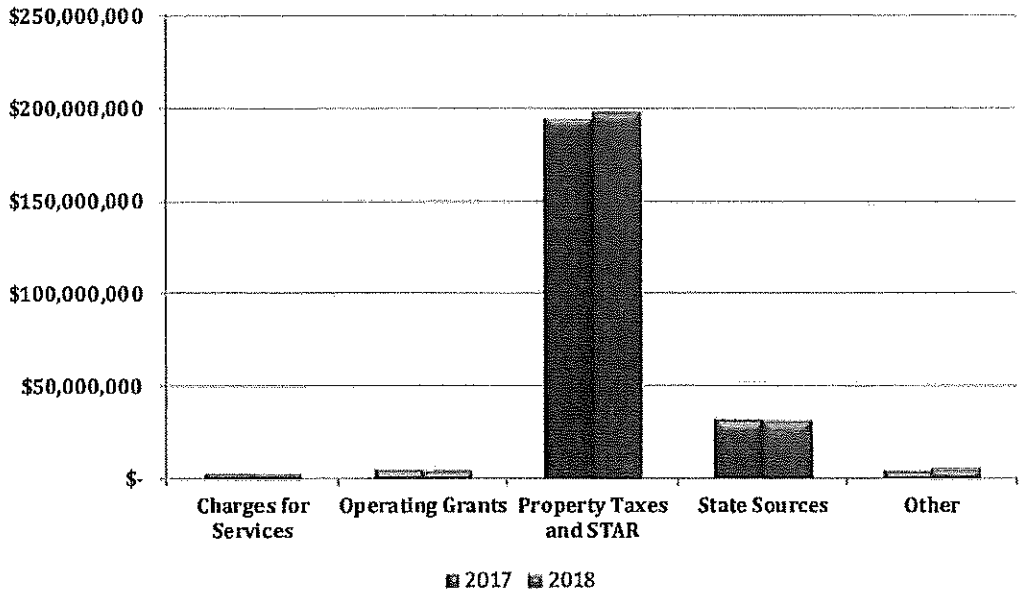
The change in net position represents the District's operating profit (loss) on the economic resources measurement focus and the accrual basis of accounting. For the year ended June 30, 2018, the loss was $15,465,965 compared to a $15,933,377 loss in the prior year.

Revenues increased by $5,127,407 or 2.11% as compared to the prior year. The increase was primarily the result of increases in property taxes and STAR of $3,780,203 and other revenues of $1,428,124.

The District's expenses for the year increased by $4,659,995 or 1.80%, primarily due to contractual increases in payroll, higher employee benefits expenses and increases from changes in the other postemployment benefit obligation.

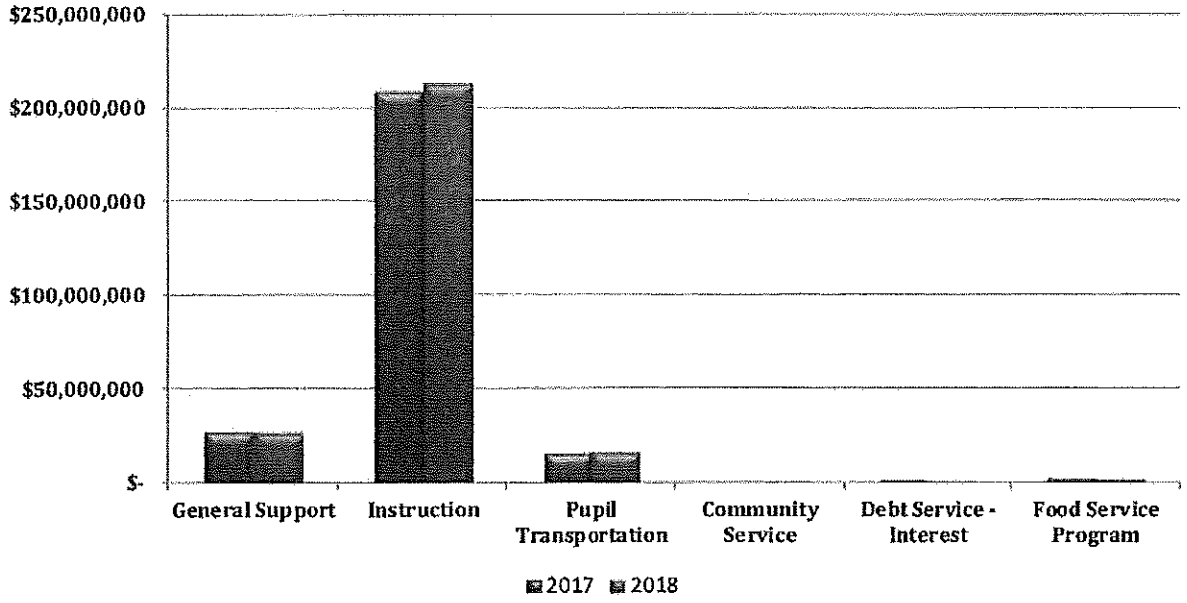
As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 80.5% and 80.6% of the total for the years 2018 and 2017, respectively). Instruction expense is the largest category of expenses incurred (i.e., 81.1% and 81.0% of the total for the years 2018 and 2017, respectively).

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2017	1.5%	2.3%	80.6%	13.3%	2.3%
2018	1.5%	2.1%	80.5%	13.2%	2.7%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2017	10.6%	81.0%	6.4%	0.1%	0.7%	1.2%
2018	10.5%	81.1%	6.5%	0.1%	0.6%	1.2%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of $51,788,680, which is an increase of $4,196,510 over the prior year. A summary of the change in fund balance by fund is as follows:

	2018	2017	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	$ 7,011,148	$ 6,102,919	$ 908,229
Unemployment insurance	2,882,021	2,882,487	(466)
Retirement contribution	5,426,701	6,959,359	(1,532,658)
Property loss	494,418	489,676	4,742
Liability	18,323	18,147	176
Employee benefit accrued liability	16,897,440	15,281,624	1,615,816
Assigned:			
Appropriated fund balance	2,500,000	2,500,000	-
Unappropriated fund balance	996,941	631,910	365,031
Unassigned: Fund balance	10,144,443	9,921,903	222,540
	46,371,435	44,788,025	1,583,410
School Food Service Fund			
Nonspendable: Inventory	49,531	41,260	8,271
Assigned: Unappropriated fund balance		(40,192)	40,192
	49,531	1,068	48,463
Debt Service Fund			
Restricted: Debt service	833,872	828,478	5,394
Capital Projects Fund			
Assigned: Unappropriated fund balance	4,533,842	1,974,599	2,559,243
Total Fund Balance	$ 51,788,680	$ 47,592,170	$ 4,196,510

A. General Fund

The net change in the general fund – fund balance is an increase of $1,583,410, compared to an increase of $1,658,014 in the prior year. Revenues increased $5,014,277 over the prior year. The increase is primarily the result of increases in property taxes of $4,095,077, other tax items of $719,981 and use of money and property of $445,798. Expenditures and other financing uses increased by $5,088,881 over the prior year. The increase is primarily the result of an increase in instruction expenditures of $2,959,635 and operating transfers out of $1,935,757.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of $48,463, which was the operating profit that includes a general fund budget transfer of $235,289. In the prior year, the school food service fund operated at a $176,978 loss.

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of $5,394, which represents interest earned in the fund during the 2017-2018 school year.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $2,559,243. Expenditures on capital projects totaling $1,884,757 were offset by miscellaneous revenue of $44,000 and interfund transfers from the general fund of $4,400,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was $248,047,565. This amount was increased by encumbrances carried forward from the prior year in the amount of $631,910 and budget revisions of $43,368, for a total final budget of $248,722,843.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $199,504,372 in estimated property taxes and STAR.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 9,921,903
Revenues Over Budget	2,251,112
Expenditures and Encumbrances Under Budget	9,197,133
Unused Appropriated Reserves	(637,173)
Interest Allocated to Reserves	(307,374)
Transfers to Reserves	(7,781,158)
Appropriated for June 30, 2019 Budget	(2,500,000)
Closing, Unassigned Fund Balance	$ 10,144,443

Opening, Unassigned Fund Balance

The $9,921,903 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4.0% of the District's 2017-2018 approved operating budget of $248,047,565. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The District's 2017-2018 final budget for revenues was $237,861,067. Actual revenues for the year exceeded estimates by $2,251,112. Real property taxes, other tax items, charges for services, miscellaneous revenues and state aid exceeded amounts estimated by $2,192,125, which contributes directly to the change in general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was $248,722,843. Actual expenditures as of June 30, 2018 were $238,528,769 and outstanding encumbrances were $996,941. The final budget was under expended by $9,197,133, mainly in the areas of central services, instruction and employee benefits. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Unused Appropriated Reserves

In the 2017-2018 budget, $7,729,866 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated reserve expenditures, $637,173 of this funding, $167,958 from the reserve for workers' compensation, $121,614 from the reserve for unemployment, and $347,601 from the retirement contribution reserve, was not needed and, therefore, it was returned to the reserves and is available for future use.

Transfers to Reserves

The following transfers were made to the reserves during the year:

Board Approved Transfers	
Retirement contribution	$ 3,000,000
Employee benefit accrued liability	3,000,000
Workers' compensation	1,781,158
Total	$ 7,781,158

Additionally, interest earnings of $307,374 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use $2,500,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2018 was $10,144,443. This amount equals 4.0% of the 2018-2019 budget and is at the statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of $8,620,418 in excess of capital additions of $3,787,568 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	$ 2,629,860	$ 2,629,860	$ -
Construction in progress	2,134,904	1,292,375	842,529
Buildings and improvements	89,525,428	94,898,652	(5,373,224)
Site improvements	2,868,235	3,168,330	(300,095)
Vehicles	1,479,694	1,598,790	(119,096)
Furniture and equipment	5,245,234	5,128,198	117,036
Capital assets, net	$ 103,883,355	$ 108,716,205	$ (4,832,850)

B. Debt Administration

At June 30, 2018, the District had total bonds payable (par value) of $29,865,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The District also had installment purchase debt outstanding of $5,493,912 related to an energy performance contract. The decrease in outstanding debt represents current year principal payments. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
Bonds Payable				
2007	3.78% - 4.35%	$ 5,810,000	$ 7,750,000	$ (1,940,000)
2008	3.50% - 4.00%	900,000	1,060,000	(160,000)
2013	3.00% - 5.00%	15,735,000	17,885,000	(2,150,000)
2013	2.00% - 5.00%	7,420,000	8,490,000	(1,070,000)
		$ 29,865,000	$ 35,185,000	$ (5,320,000)
Installment Purchase Debt				
12/7/2010	2.89%	$ 5,493,912	$ 6,056,526	$ (562,614)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2018 are approximately 1.56% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2018	As Restated 2017	Increase (Decrease)
Compensated absences	$ 20,612,772	$ 20,049,056	$ 563,716
Workers' compensation liabilities	4,220,562	4,148,301	72,261
Net Pension liability - proportionate share	3,416,072	15,753,288	(12,337,216)
Total OPEB obligation	420,764,541	401,232,311	19,532,230
	$ 449,013,947	$ 441,182,956	$ 7,830,991

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is $253,611,084. This is an increase of $5,563,519 or 2.24% over the previous year's budget. The increase is principally in the instruction area of the budget.

The District budgeted revenues other than property taxes and STAR at a $544,950 increase. This increase is principally due to an estimated increase in PILOT. Additionally, the reserves appropriated to the 2018-2019 budget is an $86,801 increase over the previous year. A property tax levy increase of 2.47% was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2018-2019 property tax increase of 2.47% was equal to the tax cap and did not require an override vote.

C. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-20 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than $275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Ms. Anne Marie Marrone Caliendo
Assistant Superintendent Finance and Facilities
Half Hollow Hills Central School District
525 Half Hollow Road
Dix Hills, New York 11746

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

ASSETS	
Cash	
Unrestricted	$ 27,820,931
Restricted	33,563,923
Receivables	
Accounts receivable	224,683
Due from fiduciary funds	411,776
Due from state and federal	4,674,318
Due from other governments	4,048,544
Inventories	49,531
Capital assets:	
Not being depreciated	4,764,764
Being depreciated, net of accumulated depreciation	99,118,591
Net pension asset - proportionate share	4,520,958
Total Assets	179,198,019
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advance refunding of bonds	645,470
Pensions	70,849,055
Other postemployment benefits obligation	456,753
Total Deferred Outflows of Resources	71,951,278
LIABILITIES	
Payables	
Accounts payable	4,037,959
Accrued liabilities	819,106
Due to other governments	265,053
Due to teachers' retirement system	9,642,790
Due to employees' retirement system	1,420,075
Compensated absences payable	219,742
Unearned credits	
Collections in advance	269,637
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	5,945,865
Installment purchase debt payable	578,991
Compensated absences payable	1,200,000
Workers' compensation liabilities	800,000
Due and payable after one year	
Bonds payable, net	25,634,847
Installment purchase debt payable	4,914,921
Compensated absences payable	19,412,772
Workers' compensation liabilities	3,420,562
Net pension liability - proportionate share	3,416,072
Total other postemployment benefits obligation	420,764,541
Total Liabilities	502,762,933
DEFERRED INFLOWS OF RESOURCES	
Pensions	23,451,977
NET POSITION (DEFICIT)	
Net investment in capital assets	68,524,443
Restricted	
Workers' compensation	7,011,148
Unemployment insurance	2,882,021
Retirement contribution	5,426,701
Property loss	494,418
Liability	18,323
Employee benefit accrued liability	16,897,440
Debt service	833,872
	33,563,923
Unrestricted (Deficit)	(377,153,979)
Total Net Position (Deficit)	$ (275,065,613)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 27,538,295	$	$	$ (27,538,295)
Instruction	213,772,921	1,814,087	4,446,720	(207,512,114)
Pupil transportation	17,188,982			(17,188,982)
Community service	161,124			(161,124)
Debt service - interest	1,627,113			(1,627,113)
Food service program	3,055,948	1,954,443	879,907	(221,598)
Total Functions and Programs	$ 263,344,383	$ 3,768,530	$ 5,326,627	(254,249,226)
GENERAL REVENUES				
Real property taxes				188,047,459
Other tax items				16,296,700
Use of money and property				911,478
Sale of property and compensation for loss				93,367
Miscellaneous				705,961
State sources				32,611,723
Medicaid reimbursement				116,573
Total General Revenues				238,783,261
Change in Net Position				(15,465,965)
Total Net Position (Deficit) - Beginning of Year, as Restated				(259,599,648)
Total Net Position (Deficit) - End of Year				$ (275,065,613)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 22,831,150	$ 9,078	$ 135,311	$	$ 4,845,392	$ 27,820,931
Restricted	33,073,429			490,494		33,563,923
Receivables						
Accounts receivable	222,001		2,682			224,683
Due from other funds	2,438,969			347,377	1,054,234	3,840,580
Due from state and federal	2,585,767	2,088,551				4,674,318
Due from other governments	4,048,544					4,048,544
Inventories			49,531			49,531
Total Assets	$ 65,199,860	$ 2,097,629	$ 187,524	$ 837,871	$ 5,899,626	$ 74,222,510
LIABILITIES						
Payables						
Accounts payable	$ 4,036,125	$	$ 1,834	$	$	$ 4,037,959
Accrued liabilities	447,874	17,451				465,325
Due to other funds		2,044,496	14,525	3,999	1,365,784	3,428,804
Due to other governments	264,874		179			265,053
Due to teachers' retirement system	9,642,790					9,642,790
Due to employees' retirement system	1,420,075					1,420,075
Compensated absences payable	219,742					219,742
Unearned credits						
Collections in advance	112,500	35,682	121,455			269,637
Total Liabilities	16,143,980	2,097,629	137,993	3,999	1,365,784	19,749,385
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	2,684,445					2,684,445
FUND BALANCES						
Nonspendable: Inventories			49,531			49,531
Restricted:						
Workers' compensation	7,011,148					7,011,148
Unemployment insurance	2,882,021					2,882,021
Retirement contribution	5,426,701					5,426,701
Property loss	494,418					494,418
Liability	18,323					18,323
Employee benefit accrued liability	16,897,440					16,897,440
Debt service				833,872		833,872
Assigned:						
Appropriated fund balance	2,500,000					2,500,000
Unappropriated fund balance	996,941				4,533,842	5,530,783
Unassigned: Fund balance	10,144,443					10,144,443
Total Fund Balances	46,371,435		49,531	833,872	4,533,842	51,788,680
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 65,199,860	$ 2,097,629	$ 187,524	$ 837,871	$ 5,899,626	$ 74,222,510

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances		$ 51,788,680
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 255,275,027	
Accumulated depreciation	(151,391,672)	
		103,883,355
Deferred charges on the advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		
Deferred charges on advance refunding	1,978,446	
Less: Accumulated amortization	(1,332,976)	
		645,470
Proportionate share of long-term asset, liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	4,520,958	
Deferred outflows of resources	70,849,055	
Net pension liability - employees' retirement system	(3,416,072)	
Deferred inflows of resources	(23,451,977)	
		48,501,964
Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.		
Deferred outflows of resources	456,753	
Total other postemployment benefits obligation	(420,764,541)	
		(420,307,788)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		2,684,445
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(353,781)	
Bonds payable, net	(31,580,712)	
Installment purchase debt payable	(5,493,912)	
Compensated absences payable	(20,612,772)	
Workers' compensation liabilities	(4,220,562)	
		(62,261,739)
Total Net Position (Deficit)		$ (275,065,613)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 188,047,459	$	$	$	$	$ 188,047,459
Other tax items	16,016,008					16,016,008
Charges for services	1,668,164					1,668,164
Use of money and property	896,924		9,160	5,394		911,478
Sale of property and compensation for loss	93,367					93,367
Miscellaneous	661,961	11,046	61,382		44,000	778,389
State sources	32,611,723	1,913,403	36,445			34,561,571
Medicaid reimbursement	116,573					116,573
Federal sources		2,522,271	843,462			3,365,733
Sales			1,893,061			1,893,061
Total Revenues	240,112,179	4,446,720	2,843,510	5,394	44,000	247,451,803
EXPENDITURES						
General support	20,460,405					20,460,405
Instruction	133,025,380	4,673,911				137,699,291
Pupil transportation	14,392,272	462,910				14,855,182
Community service	101,139					101,139
Employee benefits	57,322,573		406,750			57,729,323
Debt service						
Principal				5,882,614		5,882,614
Interest	303,354			1,715,642		2,018,996
Food service program			2,623,586			2,623,586
Capital outlay					1,884,757	1,884,757
Total Expenditures	225,605,123	5,136,821	3,030,336	7,598,256	1,884,757	243,255,293
Excess (Deficiency) of Revenues Over Expenditures	14,507,056	(690,101)	(186,826)	(7,592,862)	(1,840,757)	4,196,510
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		690,101	235,289	7,598,256	4,400,000	12,923,646
Operating transfers (out)	(12,923,646)					(12,923,646)
Total Other Financing Sources and (Uses)	(12,923,646)	690,101	235,289	7,598,256	4,400,000	-
Net Change in Fund Balances	1,583,410	-	48,463	5,394	2,559,243	4,196,510
Fund Balances - Beginning of Year	44,788,025	-	1,068	828,478	1,974,599	47,592,170
Fund Balances - End of Year	$ 46,371,435	$ -	$ 49,531	$ 833,872	$ 4,533,842	$ 51,788,680

See Notes to Financial Statements

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2018

Net Change in Fund Balances		$ 4,196,510
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Change in unavailable revenue	$ 426,615	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	(563,716)	
Increase in workers' compensation liabilities	(72,261)	
		(209,362)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	3,787,568	
Depreciation expense	(8,620,418)	
		(4,832,850)
Long-Term Debt Transaction Differences		
The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.	349,468	
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Repayment of bond principal	5,320,000	
Repayment of installment purchase debt	562,614	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.	42,415	
		6,274,497
Pension and Other Postemployment Benefits Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.		
Teachers' retirement system	(2,190,602)	
Employees' retirement system	371,319	
Other postemployment benefits	(19,075,477)	
		(20,894,760)
Change in Net Position of Governmental Activities		$ (15,465,965)

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 2,251,975	$
Restricted		373,502
	$ 2,251,975	373,502
LIABILITIES		
Extraclassroom activity balances	$ 424,667	
Due to governmental funds	411,776	
Other liabilities	1,415,532	
Total Liabilities	$ 2,251,975	-
NET POSITION		
Restricted for scholarships		$ 373,502

See Notes to Financial Statements

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For The Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	$ 28,549
Investment earnings	
Interest	379
Total Additions	28,928
DEDUCTIONS	
Scholarships and awards	26,284
Change in Net Position	2,644
Net Position - Beginning of year	370,858
Net Position - End of Year	$ 373,502

See Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Half Hollow Hills Central School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Western Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

School Food Service Fund - is used to account for the activities of the food service program.

Debt Service Fund - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

D. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, 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 state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues 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, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. Taxes are collected by the Towns of Huntington and Babylon and remitted to the District from December to June.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables and interfund expenditure and revenue activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventories is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the District-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the District-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$ 2,000	50 years
Site improvements	2,000	20 years
Furniture, equipment and vehicles	2,000	5-20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has four items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2025. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for PILOT revenue and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

P. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Q. Other Benefits

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State and Local Employees' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

R. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

S. Equity classifications

District-wide statements

In the district-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or $15,000, whichever is greater. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the private purpose trust fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses, deferred outflows or resources and deferred inflows of resources on the full accrual basis.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources

measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level. and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year, the Board of Education approved the following supplemental appropriations:

Contingent expenditures funded by gifts and donations	$ 15,115
Repairs funded by insurance recoveries	28,253
	$ 43,368

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed $10,316,373 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,542,639. Financial statements for the BOCES are available from the BOCES administrative offices at 507 Deer Park Road, Dix Hills, NY 11746.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - excess cost aid	$ 1,022,738
BOCES aid	1,542,639
Medicaid	20,390
	2,585,767
Special Aid Fund	
State and federal grants	2,088,551
	$ 4,674,318

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consists of:

General Fund	
Tuition and health services	$ 2,342,831
PILOT payments	1,705,713
	$ 4,048,544

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	$ 2,629,860	$	$	$ 2,629,860
Construction in progress	1,292,375	880,979	(38,450)	2,134,904
Total capital assets not being depreciated	3,922,235	880,979	(38,450)	4,764,764
Capital assets being depreciated				
Buildings and improvements	219,972,094	1,055,781		221,027,875
Site improvements	7,501,375	47,011		7,548,386
Vehicles	6,965,642	275,328	(330,818)	6,910,152
Furniture and equipment	13,603,104	1,566,919	(146,173)	15,023,850
Total capital assets being depreciated	248,042,215	2,945,039	(476,991)	250,510,263
Less accumulated depreciation for:				
Buildings and improvements	125,073,442	6,429,005		131,502,447
Site improvements	4,333,045	347,106		4,680,151
Vehicles	5,366,852	394,424	(330,818)	5,430,458
Furniture and equipment	8,474,906	1,449,883	(146,173)	9,778,616
Total accumulated depreciation	143,248,245	8,620,418	(476,991)	151,391,672
Total capital assets being depreciated, net	104,793,970	(5,675,379)	-	99,118,591
Capital assets, net	$108,716,205	$ (4,794,400)	$ (38,450)	$103,883,355

Depreciation expense was charged to governmental functions as follows:

General support	$ 7,803,647
Instruction	285,670
Pupil transportation	500,514
Food service	30,587
Total depreciation expense	$ 8,620,418

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 2,438,969	$	$	$ 12,923,646
Special Aid Fund		2,044,496	690,101	
School Food Service Fund		14,525	235,289	
Debt Service Fund	347,377	3,999	7,598,256	
Capital Projects Fund	1,054,234	1,365,784	4,400,000	
Total Governmental Funds	3,840,580	3,428,804	$ 12,923,646	$ 12,923,646
Fiduciary Fund		411,776		
Total	$ 3,840,580	$ 3,840,580		

The District typically transfers from the general fund to the special aid fund, school food service fund and debt service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported section 4201 schools. The transfer to the school food service fund was to provide support for the program. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness.

The transfer to the capital projects fund was the 2017-2018 budgeted transfer plus a Board of Education approved budget revision to transfer grant funds received from the State and Municipal Facilities Program.

11. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	Maturity	Effective Interest Rate	Balance June 30, 2017	Issued	Redeemed	Balance June 30, 2018
TAN	6/27/18	1.07%	$	$ 41,000,000	$ (41,000,000)	$

Interest on short-term debt for the year was $569,444. The District received a premium of $266,090 for a net interest cost of $303,354.

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 35,185,000	$	$ (5,320,000)	$ 29,865,000	$ 5,460,000
Add: Deferred premium on refunding	2,275,947		(560,235)	1,715,712	485,865
	37,460,947	-	(5,880,235)	31,580,712	5,945,865
Installment purchase debt	6,056,526		(562,614)	5,493,912	578,991
	43,517,473	-	(6,442,849)	37,074,624	6,524,856
Other long-term liabilities:					
Compensated absences	20,049,056	563,716		20,612,772	1,200,000
Workers' compensation	4,148,301	959,402	(887,141)	4,220,562	800,000
	$ 67,714,830	$ 1,523,118	$ (7,329,990)	$ 61,907,958	$ 8,524,856

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Serial Bonds				
Refunding Bond	2007	2021	3.78% - 4.35%	$ 5,810,000
District-wide construction	2008	2023	3.50% - 4.00%	900,000
Refunding Bond Series A	2013	2025	3.00% - 5.00%	15,735,000
Refunding Bond Series B	2013	2024	2.00% - 5.00%	7,420,000
				$ 29,865,000

The following is a summary of debt service requirements for bonds payable:

Year Ending June 30,	Principal	Interest	Total
2019	$ 5,460,000	$ 1,317,494	$ 6,777,494
2020	5,590,000	1,079,512	6,669,512
2021	5,765,000	812,750	6,577,750
2022	4,015,000	537,250	4,552,250
2023	4,175,000	375,650	4,550,650
2024-2025	4,860,000	244,775	5,104,775
Total	$ 29,865,000	$ 4,367,431	$ 34,232,431

C. Advance Refunding

In 2013, the District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a weighted average basis over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Deferred Premium	Deferred Charge	Total
2019	$ (485,865)	$ 182,788	$ (303,077)
2020	(408,554)	153,703	(254,851)
2021	(327,906)	123,362	(204,544)
2022	(243,300)	91,532	(151,768)
2023	(154,961)	58,298	(96,663)
2024-2025	(95,126)	35,787	(59,339)
Total	$ (1,715,712)	$ 645,470	$ (1,070,242)

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Energy performance contract	12/7/2010	7/15/2026	2.89%	$ 5,493,912

The following is a summary of maturing debt service requirements for installment purchase debt:

Year Ending June 30,	Principal	Interest	Total
2019	$ 578,991	$ 154,621	$ 733,612
2020	595,845	137,767	733,612
2021	613,189	120,423	733,612
2022	631,039	102,574	733,613
2023	649,407	84,205	733,612
2024-2027	2,425,441	142,201	2,567,642
Total	$ 5,493,912	$ 741,791	$ 6,235,703

E. Interest Expense

Interest on long-term debt for the year was composed of:

Interest paid	$ 1,715,642
Less interest accrued in the prior year	(396,196)
Plus interest accrued in the current year	353,781
Less amortization of deferred amounts from bond refundings	(349,468)
Total	$ 1,323,759

13. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior

February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 15.9% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was $9,299,590 for TRS and $4,688,965 for ERS.

D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	$ 4,520,958	$ (3,416,072)
District's portion of the Plan's total net pension asset/(liability)	0.5947850%	0.1058445%
Change in proportion since the prior measurement date	(0.0071320)	0.0067994

For the year ended June 30, 2018, the District recognized pension expense of $11,523,573 for TRS and $4,506,551 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ 3,719,638	$ 1,218,402	$ 1,762,669	$ 1,006,842
Changes of assumptions	46,001,630	2,265,138		
Net difference between projected and actual earnings on pension plan investments		4,961,574	10,648,164	9,793,650
Changes in proportion and differences between the District's contributions and proportionate share of contributions	739,092	1,235,407	96,939	143,713
District's contributions subsequent to the measurement date	9,288,099	1,420,075		
Total	$ 59,748,459	$ 11,100,596	$ 12,507,772	$ 10,944,205

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2019	$ 1,171,017	$ 1,107,972
2020	12,295,437	863,048
2021	8,834,306	(2,261,720)
2022	2,286,943	(972,984)
2023	8,808,967	
Thereafter	4,555,918	
	$ 37,952,588	$ (1,263,684)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	$ (77,882,719)	$ 4,520,958	$ 73,529,948

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (25,846,922)	$ (3,416,072)	$ 15,559,531

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	$ (114,708,261)	$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	$ 760,099	$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2018 amounted to $9,288,099 of employer contributions and $354,691 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $1,420,075 of employer contributions. Employee contributions are remitted monthly.

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018, totaled $555,365 and $4,962,257, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled $776,131.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	996
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	1,398
	2,394

B. Total OPEB Liability

The District's total OPEB liability of $420,764,541 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%	
Discount rate	3.00%	
Healthcare cost trend rates	7.50%	for 2018, decreasing 0.5% per year to an ultimate rate of 4.50% in 2023.
Retirees' share of benefit-related costs	15-40%	of projected health insurance premiums for retirees

The discount rate was based on S&P Municipal Bond 20 year High Grade Rate Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP 2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 401,232,311
Changes for the year	
Service cost	18,450,758
Interest	12,414,015
Changes of benefit terms	-
Differences between expected and actual experience	520,191
Changes in assumptions or other inputs	-
Benefit payments	(11,852,734)
	19,532,230
Balance at June 30, 2018	$ 420,764,541

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

OPEB	1% Decrease (2.00)%	Discount Rate (3.00)%	1% Increase (4.00)%
Total OPEB liability	$ (497,344,990)	$ (420,764,541)	$ (359,947,992)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (6.50)%	Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Total OPEB liability	$ (347,422,185)	$ (420,764,541)	$ (517,775,932)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized negative OPEB expense of $19,075,477. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 456,753	$
Changes of assumptions		
District's contributions subsequent to the measurement date		
Total	$ 456,753	$ -

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ 63,438
2020	63,438
2021	63,438
2022	63,438
2023	63,438
Thereafter	139,563
	$ 456,753

16. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2017	2018
Unpaid claims at beginning of year	$ 4,687,838	$ 4,148,301
Incurred claims and claim adjustment expenses	551,613	959,402
Claim payments	(1,091,150)	(887,141)
Unpaid claims at year end	$ 4,148,301	$ 4,220,562

C. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Workers' Compensation	$ 1,100,000
Unemployment	100,000
Retirement Contributions	4,931,551
Employee Benefit Accrued Liability	1,685,116
	$ 7,816,667

18. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $2,500,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 33,466,712
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	(401,232,311)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	108,165,951
	(293,066,360)
Net position (deficit) beginning of year, as restated	$(259,599,648)

20. TAX ABATEMENTS

The Town of Babylon Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was $4,343,031. The District received payment in lieu of taxes (PILOT) payments totaling $2,017,690.

The Town of Huntington Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was $133,441. The District received payment in lieu of taxes (PILOT) payments totaling $107,748.

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of the District's property taxes abated was $2,887,195. The District received payment in lieu of taxes (PILOT) payments totaling $2,719,269.

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General support	$ 723,288
Instruction	272,948
Transportation	705
	996,941
Capital Projects Fund	
Capital projects	2,979,933
	$ 3,976,874

B. Grants

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, would be immaterial.

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $126,881. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 126,881

22. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

Issuance of TANs

On October 18, 2018, the District issued tax anticipation notes in the amount of $41,000,000, which are due June 27, 2019 and bear interest at an effective interest rate of 2.01%.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 189,504,372	$ 187,781,801	$ 188,047,459	$ 265,658
Other tax items	13,610,515	15,333,086	16,016,008	682,922
Charges for services	1,221,180	1,221,180	1,668,164	446,984
Use of money and property	879,625	879,625	896,924	17,299
Sale of property and compensation for loss	90,000	118,252	93,367	(24,885)
Miscellaneous	400,000	415,116	661,961	246,845
Total Local Sources	205,705,692	205,749,060	207,383,883	1,634,823
State Sources	32,062,007	32,062,007	32,611,723	549,716
Medicaid reimbursement	50,000	50,000	116,573	66,573
Total Revenues	237,817,699	237,861,067	240,112,179	$ 2,251,112
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,500,000	2,500,000		
Prior Year's Encumbrances	631,910	631,910		
Appropriated Reserves	7,729,866	7,729,866		
Total Appropriated Fund Balance	10,861,776	10,861,776		
Total Revenues and Appropriated Fund Balance	$ 248,679,475	$ 248,722,843		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 138,518	$ 138,518	$ 125,527		$ 12,991
Central administration	505,002	502,233	487,871	1,626	12,736
Finance	1,595,117	1,617,102	1,559,391	26,100	31,611
Staff	1,257,793	1,333,651	1,305,802		27,849
Central services	17,456,687	17,484,521	15,074,018	695,562	1,714,941
Special items	1,978,045	1,924,045	1,907,796		16,249
Total General Support	22,931,162	23,000,070	20,460,405	723,288	1,816,377
Instruction					
Administration & improvement	8,272,466	8,347,706	8,160,108	5,374	182,224
Teaching - regular school	76,998,537	76,960,110	74,296,273	133,368	2,530,469
Programs for students with disabilities	34,640,369	34,586,369	33,941,341	27,246	617,782
Occupational education	567,600	567,600	567,600		-
Teaching - special schools	287,500	287,500	267,393	1,506	18,601
Instructional media	5,025,536	5,026,763	4,954,493	17,541	54,729
Pupil services	11,535,338	11,585,479	10,838,172	87,913	659,394
Total Instruction	137,327,346	137,361,527	133,025,380	272,948	4,063,199
Pupil Transportation	14,910,428	14,933,354	14,392,272	705	540,377
Community Services	126,405	126,357	101,139		25,218
Employee Benefits	60,365,245	59,977,886	57,322,573		2,655,313
Debt Service					
Interest	400,000	400,000	303,354		96,646
Total Expenditures	236,060,586	235,799,194	225,605,123	996,941	9,197,130
OTHER USES					
Operating Transfers Out	12,618,889	12,923,649	12,923,646		3
Total Expenditures and Other Uses	$ 248,679,475	$ 248,722,843	238,528,769	$ 996,941	$ 9,197,133
Net Change in Fund Balance			1,583,410		
Fund Balance - Beginning of Year			44,788,025		
Fund Balance - End of Year			$ 46,371,435		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Four Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.5947850%	0.6019170%	0.5999480%	0.6109300%
District's proportionate share of the net pension asset/(liability)	$ 4,520,958	$ (6,446,785)	$ 62,315,454	$ 68,053,747
District's covered payroll	$ 94,154,889	$ 92,881,885	$ 92,269,370	$ 92,557,756
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	4.80 %	6.94 %	67.54 %	73.53 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.1058445%	0.0990451%	0.1039717%	0.1061533%
District's proportionate share of the net pension liability	$ (3,416,072)	$ (9,306,503)	$ (16,687,754)	$ (3,586,120)
District's covered payroll	$ 30,369,320	$ 32,083,310	$ 29,152,666	$ 29,816,065
District's proportionate share of the net pension liability as a percentage of its covered payroll	11.25 %	29.01 %	57.24 %	12.03 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System
The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System
The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 9,299,590	$ 11,034,953	$ 12,316,138	$15,798,088	$14,664,619	$10,790,484	$ 9,353,515	$ 7,754,344	$ 5,419,441	$ 6,568,109
Contributions in relation to the contractually required contribution	9,299,590	11,034,953	12,316,138	15,798,088	14,664,619	10,790,484	9,353,515	7,754,344	5,419,441	6,568,109
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$96,366,577	$ 94,154,889	$ 92,881,885	$92,269,370	$92,557,756	$93,517,489	$92,522,055	$92,529,810	$90,010,826	$84,834,144
Contributions as a percentage of covered payroll	10%	12%	13%	17%	16%	12%	10%	8%	6%	8%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 4,688,965	$ 4,352,370	$ 5,041,157	$ 5,242,459	$ 5,237,154	$ 4,806,958	$ 4,307,681	$ 3,020,050	$ 1,672,559	$ 1,658,761
Contributions in relation to the contractually required contribution	4,688,965	4,352,370	5,041,157	5,242,459	5,237,154	4,806,958	4,307,681	3,020,050	1,672,559	1,658,761
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$31,239,160	$ 30,717,043	$ 29,376,695	$30,698,053	$28,731,806	$28,483,982	$28,523,253	$27,633,739	$27,012,938	$24,334,049
Contributions as a percentage of covered payroll	15%	14%	17%	17%	18%	17%	15%	11%	6%	7%

See Paragraph on Required Supplementary Information Included in Auditor's Report

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	2018
Total OPEB liability	
Service cost	$ 18,450,758
Interest	12,414,015
Changes in benefit terms	-
Differences between expected and actual experience	520,191
Changes of assumptions or other inputs	-
Benefit payments	(11,852,734)
Net change in total OPEB liability	19,532,230
Total OPEB liability, beginning	401,232,311
Total OPEB liability, ending	$ 420,764,541
Covered employee payroll	$ 117,557,023
Total OPEB liability as a percentage of covered employee payroll	357.92%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 248,047,565
Additions:		
Prior year's encumbrances		631,910
Original Budget		248,679,475
Budget revisions		43,368
Final Budget		$ 248,722,843

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget		$ 253,611,084
Maximum allowed (4% of 2018-19 budget)		$ 10,144,443
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 3,496,941	
Unassigned fund balance	10,144,443	
		$ 13,641,384
Less:		
Appropriated fund balance	2,500,000	
Encumbrances	996,941	
Total adjustments		3,496,941
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 10,144,443
Actual Percentage		4.00%

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	Methods of Financing: Grant Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance June 30, 2018
2015-16 Projects											
HSE - Generators	$ 248,400	$ 248,400	$ 248,400	$ -	$ 248,400	$ -	$ -	$ -	$ 248,400	$ 248,400	$ -
HSE - HVAC	389,910	389,910	226,055	163,003	389,058	852			389,910	389,910	852
HSW - Auditorium/Tennis Court	717,552	717,552	717,552		717,552				717,552	717,552	-
Carbon Monoxide Detection	342,562	342,562	175,693	74,459	250,152	92,410			342,562	342,562	92,410
WH - Atrium	31,576	31,576	31,576		31,576				31,576	31,576	-
2016-17 Projects											
SH - Ceiling Tile Replacement	634,964	632,815	23,802	609,013	632,815				632,815	632,815	-
Sunquam - Drainage	139,721	167,139	3,845	163,294	167,139				167,139	167,139	-
Candlewood - Doors	50,098	65,310	1,831	929	2,760	62,550			65,310	65,310	62,550
HSE - Tennis Courts/Air Vents	873,580	898,203	792,390	38,887	831,277	66,926			898,203	898,203	66,926
HSW - Gym Doors	65,126	92,935	2,380	1,574	3,954	88,981			92,935	92,935	88,981
Natatorium - Renovations	500,776	409,413	14,648	394,765	409,413			100,000	309,413	409,413	-
HSE - HVAC	235,735	234,185	17,229	216,956	234,185				234,185	234,185	-
2017-18 Projects											
Signal Hill - Roof Replacement		160,000		6,408	6,408	153,592			160,000	160,000	153,592
Paumonok - Roof Replacement		983,533			-	983,533			983,533	983,533	983,533
Candlewood - Roof Replacement		1,005,300		40,282	40,282	965,018			1,005,300	1,005,300	965,018
HSE - Orchestra		433,000		15,380	15,380	417,620			433,000	433,000	417,620
HSE - Gymnasium Air Vents		187,000			-	187,000			187,000	187,000	187,000
HSE - Chiller		180,000		88,084	88,084	91,916			180,000	180,000	91,916
Natatorium Renovations - Phase II		694,000			-	694,000			694,000	694,000	694,000
Ostego - Fuel Tank		165,000			-	165,000			165,000	165,000	165,000
FGAC - Roof Replacement		557,000			-	557,000			557,000	557,000	557,000
Sunquam - Drainage		79,167		71,723	71,723	7,444			79,167	79,167	7,444
Totals	$ 4,230,000	$ 8,674,000	$ 2,255,401	$ 1,884,757	$ 4,140,158	$ 4,533,842	$ -	$ 100,000	$ 8,574,000	$ 8,674,000	$ 4,533,842

See Paragraph on Other Supplementary Information Included in Auditor's Report

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	$ 103,883,355
Deduct:	
Short-term portion of bonds payable	(5,460,000)
Long-term portion of bonds payable	(24,405,000)
Short-term portion of installment purchase debt	(578,991)
Long-term portion of installment purchase debt	(4,914,921)
	(35,358,912)
Net investment in capital assets	$ 68,524,443

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

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

To the Board of Education
Half Hollow Hills Central School District
Dix Hills, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Half Hollow Hills Central School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Half Hollow Hills Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Half Hollow Hills Central School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Half Hollow Hills Central School District in a separate letter dated October 31, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

October 31, 2018

APPENDIX C

FORM OF BOND COUNSEL OPINION

February 6, 2019

The Board of Education of
the Half Hollow Hills Central School District of Huntington and Babylon, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Half Hollow Hills Central School District of Huntington and Babylon (the "School District"), in the County of Suffolk, New York, a school district of the State of New York, in connection with the authorization, sale, and issuance of the $14,500,000 School District Library Serial Bonds-2019 (the "Bonds"), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Bonds for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds 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 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the

requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

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

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in said Bonds.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

"Annual Information" shall mean the information specified in Section 3 hereof.

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

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

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

"Issuer" shall mean the Half Hollow Hills Central School District of Huntington and Babylon, in the County of Suffolk, a school district of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

"Purchaser" shall mean the financial institution referred to in the Certificate of Award, executed by the President of the Board of Education as of January 24, 2019.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

"Securities" shall mean the Issuer's **$14,500,000 School District Library Serial Bonds-2019**, dated February 6, 2019, maturing in various principal amounts on June 15 in each of the years 2019 to 2038, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York to the EMMA System:

(i) no later than six (6) months following the end of each fiscal year, commencing with the fiscal year ending June 30, 2019, the Annual Information relating to such fiscal year, together with audited financial statements of the Issuer for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided with the Annual Information no later than six (6) months following the end of each fiscal year, and audited financial statements, if any, shall be

delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

(7) modifications to rights of Securities holders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of

the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

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

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

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings: "THE DISTRICT", "ECONOMIC AND DEMOGRAPHIC INFORMATION", "INDEBTEDNESS OF THE DISTRICT", "FINANCES OF THE DISTRICT", TAX INFORMATION" and "LITIGATION", and in Appendix A.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with New York State regulatory requirements or GAAP as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure

principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **February 6, 2019**.

HALF HOLLOW HILLS CENTRAL SCHOOL DISTRICT OF HUNTINGTON AND BABYLON

By_____

President of the Board of Education
and Chief Fiscal Officer