PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 18, 2020

REFUNDING 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.

THREE VILLAGE CENTRAL SCHOOL DISTRICT OF BROOKHAVEN AND SMITHTOWN

SUFFOLK COUNTY, NEW YORK

(the "District")

$6,010,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

(the "Bonds")

See Bond Maturity Schedule Herein

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.

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

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners 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 February 26, 2020 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 March 18, 2020 in New York, New York.

The Bonds are offered subject to approval by the State Comptroller of the Certificate of the President of the Board of Education of the District executed pursuant to Section 90.10(g) of the Local Finance Law.

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"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

February , 2020

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*Preliminary, subject to change.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
OF BROOKHAVEN AND SMITHTOWN
SUFFOLK COUNTY, NEW YORK

$6,010,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: June 1, 2020-2024, inclusive
Interest Due: Semi-annually on June 1 and December 1 in each year until maturity, commencing June 1, 2020.

Amount**	Maturity	Rate	Price or Yield	CUSIP #
$ 1,205,000	June 1, 2020			
1,115,000	June 1, 2021			
1,170,000	June 1, 2022			
1,225,000	June 1, 2023			
1,295,000	June 1, 2024			

*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, to achieve substantial level or declining annual debt service as provided in Section 21.00 of the Local Finance Law and to effectuate the District's plan of refunding.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
OF BROOKHAVEN AND SMITHTOWN,
SUFFOLK COUNTY, NEW YORK

Administration Offices - 100 Suffolk Avenue
Stony Brook, New York 11790
Telephone: 631/730-4020
Fax: 631/474-7516

BOARD OF EDUCATION

William F. Connors, Jr., President
Irene Gische, Vice President

Board Members

Deanna Bavlnka
Inger Germano
Dr. Jeffrey Kerman
Jonathan Kornreich
Vincent Vizzo

Cheryl Pedisich, Superintendent of Schools
Jeffrey Carlson, Deputy Superintendent
Patricia Castaldo, Director of Business Services
Kerry Reilly, District Treasurer
Kathleen Sampogna, School District Clerk

School District Attorneys

Guercio & Guercio, LLP
Farmingdale, New York

* * *

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT OF BROOKHAVEN AND SMITHTOWN SUFFOLK COUNTY, NEW YORK

$6,010,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

[BOOK–ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the Three Village Central School District of Brookhaven and Smithtown, in the County of Suffolk, in the State of New York (the "District", "County" and "State," respectively) in connection with the sale of $6,010,000* School District Refunding Serial Bonds - 2020 (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 the date of delivery, and will mature on June 1 in each of the years 2020 to 2024, inclusive, in the principal amounts as set forth on the inside cover page hereof. Interest on the Bonds will be payable semi-annually on June 1 and December 1 in each year until maturity, commencing June 1, 2020.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners 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.)

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

The Bonds are offered subject to approval by the State Comptroller of the Certificate of the President of the Board of Education of the District executed pursuant to Section 90.10(g) of the Local Finance Law.

The District will act as Paying Agent for the Bonds. The District's contact information is as follows: Jeffrey Carlson, Deputy Superintendent, Three Village Central School District of Brookhaven and Smithtown, Administration Offices - 100 Suffolk Avenue, Stony Brook, New York 11790, telephone number (631) 730-4020 e-mail: jcarlson@3villagecsd.org.

Optional Redemption

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

Description of Book-Entry System

DTC will act as securities depository for the Bonds. Such 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.

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*Preliminary, subject to change

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" and together with Direct Participant, the "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 pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law, and the refunding bond resolution duly adopted by the Board of Education of the District on January 15, 2020 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the School District Serial Bonds – 2008 Series B (the "2008B Bonds"), maturing in each of the years 2020 to 2024. The Bonds will refund the 2008B Bonds maturing in each of the years 2020 through 2024, inclusive (the "Refunded Bonds").

Summary of Refunded Bonds[a]
(the "Refunded Bonds")

2008B Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
06/01/2020	$ 1,155,000	4.250	04/17/2020	100.00	885766KD6
06/01/2021	1,205,000	4.250	04/17/2020	100.00	885766KE4
06/01/2022	1,255,000	4.500	04/17/2020	100.00	885766KF1
06/01/2023	1,310,000	4.500	04/17/2020	100.00	885766KG9
06/01/2024	1,375,000	4.500	04/17/2020	100.00	885766KH7

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of all or a portion of the Refunded Bonds.

a. Preliminary, subject to change.

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

Refunding Financial Plan

Pursuant to the District's Refunding Financial Plan, as referred to in the Refunding Bond Resolution, the Bonds are being issued to effect the refunding of the Refunded Bonds maturing on their principal payment dates as set forth above. The Refunding Financial Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present-value debt service savings.

The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds), will be used to purchase non–callable, direct obligations of or obligations guaranteed by the United States of America (the "Government Obligations") which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") to be held by U.S. Bank Global Corporate Trust Services, New York (the "Escrow Holder"), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the "Escrow Contract"). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premiums, if any, of the Refunded Bonds on the dates of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond Resolution of the District and Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all cash on deposit in the Escrow Fund. Upon payment by the Escrow Holder to the fiscal agent for the Refunded Bonds of amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds to be paid from the Escrow Fund, including interest and redemption premium, if any, payable with respect thereto, and payment of all expenses incidental to the issuance of the Bonds, such Escrow Contract shall terminate.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from *ad valorem* taxes on all taxable real property in the District. However, inasmuch as the funds held in the Escrow Fund together with interest earnings thereon and cash held in the Escrow Fund shall be sufficient to meet all required payments of principal of, and interest on the Refunded Bonds, it is not anticipated that other sources of payment will be utilized.

Sources and Uses of Bond Proceeds

Sources:	
Par Amount of Bonds	$
Original Issue Premium/Discount	
Total	$
Uses:	
Escrow Deposit	$
Underwriter's Discount	
Allowance for Costs of Issuance and Contingency	
Total	$

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 voter approved capital expenditures or the refinancing or refunding of such bonds or notes. As the Bonds are being issued to refinance bonds issued to finance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law annual tax levy limitation. (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, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

Such 99-b of the SFL is applicable to the Bonds.

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 is located in the north-central portion of Suffolk County in the Towns of Brookhaven and Smithtown. It encompasses an area in excess of 22 square miles and includes the Villages of Head of the Harbor, Old Field and Poquott as well as the unincorporated communities of Setauket and Stony Brook. Although primarily residential, the District also includes the facilities of the State University at Stony Brook, shopping centers and other commercial facilities, branches of commercial banks and savings and loan associations, office buildings and some light industry.

Electricity is provided by PSEG Long Island; gas is provided by National Grid; water is provided by the Suffolk County Water Authority and the Stony Brook Water District; police and fire protection are provided by the Suffolk County Police Department and two fire districts, respectively. Rail transportation is available at the Stony Brook station of the Long Island Railroad. Highways include New York State Routes 25A and 347 as well as a network of County and local roadways.

District Organization

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

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

Enrollment History

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

School Year	School Enrollment
2015	6,723
2016	6,466
2017	6,286
2018	5,900
2019	5,907

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2020	5,750
2021	5,700
2022	5,600

Source: District Officials.

School Facilities

Name of School	Date of Construction	Most Recent Renovation	Capacity	Insurable Reconstruction Cost (New)
Setauket Elementary	1952	2017	1,153	$ 28,980,000
Nassakeag Elementary	1963	2017	1,134	34,500,000
North Country Administration	1962	2015	NA	19,300,000
Arrowhead Elementary	1965	2015	1,134	35,150,000
W. S. Mount Elementary	1967	2017	1,161	31,280,000
Minnesauke Elementary	1968	2017	1,053	31,478,000
P. J. Gelinas Junior High	1968	2015	1,526	63,200,000
R. C. Murphy Junior High	1968	2015	1,524	65,800,500
Ward Melville High	1968	2015	1,872	117,005,000
Administration Building	1967	NA	NA	2,242,000

Employees

District employees are represented by the following units of organized labor:

Name of Union	Expiration Date of Contract	Approx. No. of Members
Three Village Teachers Assoc.	06/30/2021	745
Three Village School Administrators Assoc.	06/30/2022	53
UPSEU - Clerical Unit	06/30/2021	97
UPSEU - Maintenance and Operations Unit	06/30/2021	97
CSEA - Cafeteria	06/30/2020	38
UPSEU - Monitors	06/30/2021	208
TV Registered Professional Nurses Assoc.	06/30/2021	19
TV Substitute Teachers Assoc.	06/30/2022	298
UPSEU-SACC	06/30/2020	39
UPSEU-Security	06/30/2022	86

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

Year	Town of Brookhaven	Suffolk County	New York State
1980	365,015	1,284,231	17,557,288
1990	407,786	1,321,864	17,990,455
2000	448,248	1,419,369	18,976,457
2010	486,040	1,493,350	19,378,102
2018	482,426	1,481,093	19,542,209

Source: Long Island Power Authority and U.S. Bureau of the Census.

Income Data

Income Data is not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Town of Brookhaven and the County of Suffolk. The information set forth below with respect to such Towns, County and State 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, County or State or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2018[a]
Town of Brookhaven	$16,726	$24,191	$32,663	$39,827
Suffolk County	18,481	26,577	35,411	43,905
State of New York	16,501	23,389	30,791	38,884

	Median Household Income			
	1990	2000	2010	2018[a]
Town of Brookhaven	$47,074	$62,475	$81,654	$ 96,861
Suffolk County	49,128	65,288	84,235	100,468
New York State	32,965	43,393	55,217	67,844

Source: United States Bureau of the Census

a. Based on American Community Survey 1-Year Estimate (2017)

Selected Listing of Larger Employers in Town of Brookhaven
(As of 2019)

Name	Type of Business	Estimated Number Of Employees
State University at Stony Brook	Education	14,000
Stony Brook University Medical Center	Medical Center	7,500
Brookhaven National Laboratory	Laboratory	3,000
John T. Mather Hospital	Hospital	1,967
Zebra Technologies	Commercial	1,800
Brookhaven Memorial Hospital	Hospital	1,730
St. Charles Hospital	Hospital	1,400
Three Village Central School District	Education	1,298
Quality King Distributors	Commercial	900
William Floyd Union Free School District	Education	860
Amneal Pharmaceuticals	Commercial	780

Source: Town of Brookhaven.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven. The information set forth below with respect to such Town and the County and State 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 Town, County or State, or vice versa.

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2014	5.3	5.3	6.4
2015	4.8	4.8	5.3
2016	4.4	4.3	4.9
2017	4.4	4.4	4.6
2018	3.9	3.9	4.1
2019	3.6	3.6	4.0

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 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 with respect to the Bonds.

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.

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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 February 18, 2020)

In Town of:	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Brookhaven (2018-2019) [a]	$55,677,867	0.86%	$6,474,170,581
Smithtown (2018-2019) [a]	1,328,426	1.23%	108,002,114
Total			$6,582,172,695
Debt Limit - 10% of Full Valuation			$658,217,270
Inclusions: [b]			
Outstanding Bonds			$92,040,000
Bond Anticipation Notes			0
Total Indebtedness			92,040,000
Exclusions (Estimated Building Aid) [c]			66,846,306
Total Net Indebtedness			25,193,694
Net Debt Contracting Margin			$633,023,575
Per Cent of Debt Contracting Margin Exhausted			3.83%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Lease 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 therefore 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 $28,000,000 that mature on June 25, 2020. These notes are expected to be paid in full at maturity with the receipt of the District's tax levy for the current fiscal year.

Outstanding Long-Term Bond Indebtedness

The following table sets forth the total long-term bond indebtedness outstanding at the end of the last five completed fiscal years.

Trend of Outstanding Debt

	2015	2016	2017	2018	2019
Bonds	$79,005,000	$70,750,000	$117,940,000	$106,645,000	$96,375,000
BANs	8,000,000	44,000,000	-	-	-
Other	-	-	-	-	-
Total	$87,005,000	$114,750,000	$117,940,000	$106,645,000	$96,375,000

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$9,465,000	$2,853,975	$12,318,975
2021	8,155,000	2,514,438	10,669,438
2022	8,450,000	2,245,125	10,695,125
2023	8,755,000	1,962,600	10,717,600
2024	8,665,000	1,669,150	10,334,150
2025	7,400,000	1,381,275	8,781,275
2026	7,585,000	1,153,175	8,738,175
2027	7,255,000	918,375	8,173,375
2028	7,340,000	743,075	8,083,075
2029	7,540,000	558,900	8,098,900
2030	7,765,000	333,300	8,098,300
2031	4,000,000	132,500	4,132,500
2032	4,000,000	45,000	4,045,000
	$96,375,000	$16,510,888	$112,885,888

Debt Service Requirements – Energy Performance Contract

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$1,215,537	$232,103	$1,447,640
2021	1,244,597	203,043	1,447,640
2022-2026	5,748,192	560,041	6,308,233
2027-2030	1,968,815	101,881	2,070,696
	$10,177,141	$1,097,068	$11,274,209

Debt Service Requirements – Energy Performance Contract – 2019

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$417,276	$219,374	$636,650
2021	429,401	207,249	636,650
2022	441,879	194,771	636,650
2023	454,719	181,931	636,650
2024	467,932	168,718	636,650
2025	481,530	155,120	636,650
2026	495,522	141,128	636,650
2027	509,921	126,729	636,650
2028	524,738	111,912	636,650
2029	539,986	96,664	636,650
2030	555,677	80,973	636,650
2031	571,824	64,826	636,650
2032	588,440	48,210	636,650
2033	605,539	31,111	636,650
2034	623,135	13,515	636,650
	$7,707,518	$1,842,231	$9,549,749

Revenue and Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2016	$26,000,000	TAN	08/27/2015	06/27/2016
2017	26,000,000	TAN	08/25/2016	06/27/2017
2018	26,000,000	TAN	09/14/2017	06/27/2018
2019	26,000,000	TAN	09/18/2018	06/27/2019
2020	28,000,000	TAN	09/04/2019	06/25/2020

Authorized But Unissued Items

As of the date of this Official Statement, the District has authorized and unissued debt outstanding in the amount of $1,006.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	03/19/2019	2.50	$ 54,494,470	$31,837,668
Town of Brookhaven	06/19/2019	11.57	64,381,115	63,255,932
Town of Smithtown	06/15/2019	0.34	106,257	97,516
Village of Head of the Harbor	02/28/2018	20.00	110,200	110,200
Village of Old Field	02/28/2018	100.00	910,000	910,000
Village of Poquott	05/31/2018	100.00	0	0
Fire Districts (Est.)	12/31/2017	Var.	650,000	650,000
Totals			$120,652,042	$96,861,316

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

Debt Ratios
(As of February 18, 2020)

	Amount	Per Capita[a]	Percentage Of Full Value (%)[b]
Total Direct Debt	$ 92,040,000	$1,901	1.398
Net Direct Debt	25,193,694	520	0.383
Total Direct & Applicable Total Overlapping Debt	212,692,042	4,392	3.231
Net Direct & Applicable Net Overlapping Debt	122,055,010	2,521	1.854

a. The current population of the District is 48,424.
b. The full valuation of taxable property is $6,582,172,695.

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, 2019. 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, school lunch fund and special purpose fund. In addition, a capital projects fund is used to record capital facility projects, while an 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 21, 2019, a majority of the voters of the District approved the District's budget for the 2019-2020 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2018-2019 and 2019-2020 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 amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2019, inclusive and the amounts budgeted for the 2020 fiscal year.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2015	$182,738,075	$38,099,575	20.85
2016	192,016,940	42,377,276	22.07
2017	196,685,127	44,403,078	22.58
2018	202,582,148	44,909,260	22.17
2019	206,797,775	45,284,464	21.90
2020 (Budgeted)	215,075,416	46,604,938	21.67

Source: Audited Financial Statements of the District and Adopted Budgets 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 2019 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. 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 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 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 repaired 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. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have provided guidance regarding state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. The final regulation prohibit the use of programs implemented in some states in which taxpayers receive a credit against their state income taxes for donations made to charitable funds set up by the state in an attempt to reduce the impact of the federal cap on state and local tax deductions. The District has not exercised this option and has no plans to do so in the foreseeable future.

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 increased established in more recent years.

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 provided 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 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 5.2% and building aid increased by 4.7%. The State 2018¬2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

School district fiscal year (2019-2020): The State's 2019-2020 school year, the State's Enacted Budget include a total of $27.9 billion for School Aid, a year-to-year funding increase of approximately $1.2 billion. The majority of the increases had been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019¬2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. 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 $3.4 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. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

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: 6.7% and Environmental 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 performed was released January 8, 2016. The purpose of such audit was to determine if the District properly accounted for fuel inventories for the period July 1, 2014 through July 31, 2015. The complete report and the District's response may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

References to websites and/or website addresses presented herein are for informational purposes only. 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.

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 21 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 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.

As of June 30, 2017, SCO is effectively terminated. Each employer who elected to participate in the plan has opted out. Employers who participated in the SCO will resume paying the Employer Contribution Rate ("ECR") as well as any outstanding deferred contributions plus interest.

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

Fiscal Year Ending June 30:	TRS	ERS
2015	$12,689,336	$3,208,082
2016	10,057,742	3,091,745
2017	9,502,307	2,749,492
2018	8,204,299	2,371,411
2019	9,128,281	2,848,752
2020 (Budgeted)	8,195,500	2,771,039

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 75, 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, 2019 is as follows:

Changes in the Total OPEB Liability	Fiscal Year Ending June 30, 2019:
Total OPEB Liability at June 30, 2018	$336,843,991
Charges for the Year:	
Service Cost	11,084,624
Interest	11,420,942
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	(34,512,717)
Benefit Payments	(9,762,293)
Net Changes	(21,769,444)
Total OPEB Liability at June 30, 2019	$315,074,547

In some recent years, OSC has 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 Brookhaven and Smithtown. Assessment valuations are determined by the Town assessors 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.

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 2015 through 2019, inclusive and for the amounts budgeted for the 2020 fiscal year.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2015	$182,738,075	$126,546,273	69.25
2016	192,016,940	130,141,360	67.78
2017	196,685,127	133,745,132	68.00
2018	202,582,148	139,020,829	68.62
2019	206,797,775	142,401,290	68.86
2020 (Budgeted)	215,075,416	158,895,478	73.88

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for total revenues include appropriations of fund balance. Budgeted estimates for real property taxes include STAR.

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 Receivers distribute the collected tax money to the Towns, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers 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 New York 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 and the refinancing or refunding of such bonds (such as the Bonds), 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.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. Approximately 12% of the District's 2018-2019 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 12% of the District's 2019-2020 school tax levy exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2020. (See *"State Aid"* herein).

Valuations, Rates, Levies and Collections

A summary of the District's assessed and full valuations for each of the years 2015 through 2019 can be found in Appendix A.

Selected Listing of Large Taxable Properties in the District
2018-2019 Assessment Roll

Name	Type	Full Valuation
LIPA	Utility	$107,324,105
Marketspan Generation LLC	Utility	73,105,263
Active Retirement Comm Inc.	Home for Aged	31,578,947
Serota Brooktown III LLC	Commercial	29,368,421
Keyspan Gas East Corp.	Utility	22,024,421
NHP Centereach LLC	Home for Aged	21,236,842
Dayton Hudson Corporation	Shopping Center	18,642,105
Verizon New York Inc.	Utility	13,892,842
Eagle Realty Holdings Inc.	Commercial	13,805,263
Brisbane South Setauket LLC	Commercial	13,778,947
BDG Setauket LLC	Commercial	13,663,157
Daka Realty Company C/O GFS Realty Inc.	Commercial	12,160,000
Elias Properties East	Shopping Center	12,126,315
AVR South Setauket LLC C/O AVR Realty	Commercial	12,052,631
Heritage SPE LLC-C/O Hert	Shopping Center	11,977,368
	Total[a]	$406,736,627

a. Represents 6.18% of the total full 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.

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 including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

BONDHOLDERS RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE

There are certain potential risks associated with an investment in the 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 any part of the Bonds prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those 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*" 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*" 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.

The School District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the School District operations and/or damage from cyber incidents or cyber-attacks, the School District has invested in cybersecurity and other operational controls. While the School District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

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 are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto in Appendix C.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes 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 an Undertaking to Continuing Disclosure, 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.

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2015	12/09/2015	11/03/2015
2016	12/27/2016	10/24/2016
2017	12/27/2017	10/19/2017
2018	12/12/2018	10/31/2018
2019	12/13/2019	10/24/2019

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 and such rating is pending at this time. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

The accuracy of the mathematical computations regarding the adequacy of the cash as deposit in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds on the applicable payment date(s) will be verified by Causey Demgen & Moore, P.C. Such verification of the accuracy of the mathematical computation will be based, in part, upon factual information supplied by the District and the Purchaser or the Municipal Advisor.

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 Jeffrey Carlson, Deputy Superintendent, Three Village Central School District of Brookhaven and Smithtown, Administration Offices - 100 Suffolk Avenue, Stony Brook, New York 11790, telephone number (631) 730-4020 e-mail: jcarlson@3villagecsd.org 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 or 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 Notes.

The preparation and distribution of this Official Statement has been authorized by the Refunding 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 WILLIAM F. CONNORS JR
President of the Board of Education
Three Village Central School District
of Brookhaven and Smithtown
Stony Brook, New York

February , 2020

APPENDIX A

FINANCIAL INFORMATION

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Assessed and Full Valuations

	Fiscal Year Ending June 30:				
	2015	2016	2017	2018	2019
Assessed Valuation:					
Town of:					
Brookhaven	$ 55,892,652	$ 55,670,010	$ 55,694,246	$ 55,704,049	$ 55,677,867
Smithtown	1,284,280	1,308,958	1,332,296	1,311,579	1,328,426
Total Assessed Valuation	$ 57,176,932	$ 56,978,968	$ 57,026,542	$ 57,015,628	$ 57,006,293
Equalization Rates:					
Town of:					
Brookhaven	0.95%	0.95%	0.91%	0.90%	0.86%
Smithtown	1.37%	1.30%	1.32%	1.23%	1.23%
Full Valuation :					
Town of:					
Brookhaven	$ 5,883,437,052	$ 5,860,001,053	$ 6,120,246,813	$ 6,189,338,778	$ 6,474,170,581
Smithtown	93,743,066	100,689,077	100,931,515	106,632,439	108,002,114
Total Full Valuation	$ 5,977,180,118	$ 5,960,690,130	$ 6,221,178,328	$ 6,295,971,217	$ 6,582,172,695

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Fund Balances

General Fund

	2015	2016	2017	2018	2019
Revenues:					
Real Property Taxes	$ 126,546,273	$ 130,141,360	$ 133,745,132	$ 139,020,829	$ 142,401,290
Other Tax Items-Including Star Reimbursement	13,588,939	13,729,848	13,598,332	13,338,099	12,956,474
Charges for Services	3,367,862	4,349,453	4,204,969	4,275,791	4,734,669
Use of Money and Property	266,520	172,815	290,155	421,215	791,838
Sale of Property & Compensation for Loss	88,658	91,494	8,782	16,047	41,493
Miscellaneous	694,904	1,118,025	396,439	527,679	476,587
State Sources	38,099,575	42,377,276	44,403,078	44,909,260	45,284,464
Federal Sources	85,344	36,669	38,240	73,228	110,960
Total: Revenues	182,738,075	192,016,940	196,685,127	202,582,148	206,797,775
Expenditures:					
General Support	18,437,349	20,593,260	21,552,485	22,376,966	23,577,689
Instruction	92,987,993	95,948,828	102,509,982	104,643,367	109,543,642
Pupil Transportation	8,295,128	8,379,893	8,361,277	8,475,111	9,321,668
Community Service	1,477,507	1,585,827	1,681,843	1,573,003	1,672,775
Employee Benefits	49,924,444	44,921,280	45,232,009	44,800,257	45,290,999
Debt Service	11,143,349	11,703,527	15,166,040	15,572,409	15,146,186
Total Expenditures	182,265,770	183,132,615	194,503,636	197,441,113	204,552,959
Other Uses:					
Presmiums on Short Term Obligations		1,020,670	694,033	209,565	188,864
Operating Transfers In		1,148,217	22,232	425,597	84,903
Operating Transfers Out	(1,117,818)	(2,121,877)	(4,017,223)	(5,193,194)	(5,123,408)
Excess (Deficit) Revenues Over Expenditures & Other Uses	(645,513)	8,931,335	(1,119,467)	583,003	(2,604,825)
Other Changes in Fund Equity		(557,798)			
Fund Balance Beg. of Fiscal Year	21,375,669	20,730,156	29,103,693	27,984,226	28,567,229
Fund Balance End of Fiscal Year	$ 20,730,156	$ 29,103,693	$ 27,984,226	$ 28,567,229	$ 25,962,404

Source: Audited Annual Financial Reports of the District.
NOTE: This table NOT audited

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Balance Sheet - General Fund

	2018	2019
ASSETS:		
Cash	$ 43,600,491	$ 41,237,011
Accounts Receivable	220,965	17,906
Due from Other Funds	3,113,522	2,403,052
Due from Other Governments	451,046	585,822
State and Federal Aid Receivable	2,163,794	2,168,433
Total Assets	$ 49,549,818	$ 46,412,224
LIABILITIES:		
Accounts Payable	$ 2,139,577	$ 3,139,681
Accrued Liabilities	8,629,452	5,604,178
Due to Other Funds	44,210	500,556
Due to Teachers' Retirement System	8,532,675	9,448,072
Due to Employees' Retirement System	689,019	781,829
Compensated Absences	269,813	220,006
Deferred Revenues	677,843	755,498
Total Liabilities	20,982,589	20,449,820
FUND EQUITY:		
Fund Balances:		
Nonspendable		
Restricted	15,842,328	15,158,636
Assigned	4,332,767	4,110,232
Unassigned	8,392,134	6,693,536
Total Fund Equity	28,567,229	25,962,404
Total Liabilities and Fund Equity	$ 49,549,818	$ 46,412,224

Sources: Audited Annual Financial Reports of the District.
NOTE: This table NOT audited

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Budget Summary
General Fund
Fiscal Year Ending June 30:

	2018-19(a)	2019-20(b)
Expenditures:		
General Support	$ 22,428,449	$ 23,378,414
Instruction	108,624,591	110,928,161
Pupil Transportation	9,377,473	9,774,241
Community Service	2,002,842	2,193,689
Employee Benefits	47,509,424	47,619,687
Debt Service & Transfers	19,860,575	21,181,224
Total	$ 209,803,354	$ 215,075,416
Revenues:		
Real Property Taxes	$ 154,981,001	$ 158,895,478
State Aid	46,332,353	46,604,938
Interest Income	225,000	350,000
Other Income	5,265,000	6,225,000
Appropriated Fund Balance	3,000,000	3,000,000
Total	$ 209,803,354	$ 215,075,416

(a) Approved by the voters of the District on May 15, 2018
(b) Approved by the voters of the District on May 21, 2019

THREE VILLAGE CENTRAL SCHOOL DISTRICT
OF BROOKHAVEN AND SMITHTOWN

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

THREE VILLAGE CENTRAL SCHOOL DISTRICT

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THREE VILLAGE CENTRAL SCHOOL DISTRICT

Table of Contents, Continued

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EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Education
Three Village Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Three Village Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to 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.

Auditors' 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 aggregate remaining fund information of Three Village Central School District as of June 30, 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the additional information on pages 61 through 65 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 73 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2019

The following is a discussion and analysis of the Three Village Central School District's (the "District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The 2018-2019 budget included the preservation of programs and co-curricular offerings at current levels, and maintained balanced class sizes. It also included additional guidance counselors and psychologists to support students' social and emotional needs, increased security measures including afterschool guards, training, enhanced visitor management database, and additional surveillance camera, as well as increased support for the implementation of Next Generation Science Standards, the introduction of a third-grade orchestra program, and the roll out of 1:1 Chromebook initiatives in grades 7-9, and the continuation of the initiative in grade 10.

- On May 1, 2019, the District issued energy performance debt in the amount of $7,707,518 to install photovoltaic cells on all of the schools to provide solar power. Installation of the solar panels will be completed during the 2019 – 2020 school year, and will generate over 2.8 megawatts of electricity. This will provide approximately one third of all of the electric power used by the district, saving over $700,000 per year in utility costs.

- On April 11, 2019, the District refunded $3,505,000 of 2010 bonds by issuing $3,200,000 in bonds. The District advance refunded the 2010 bonds to reduce its total debt service payments over the next 7 years by $298,123 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $279,881.

OVERVIE OF THE FINANCIAL STATE ENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report

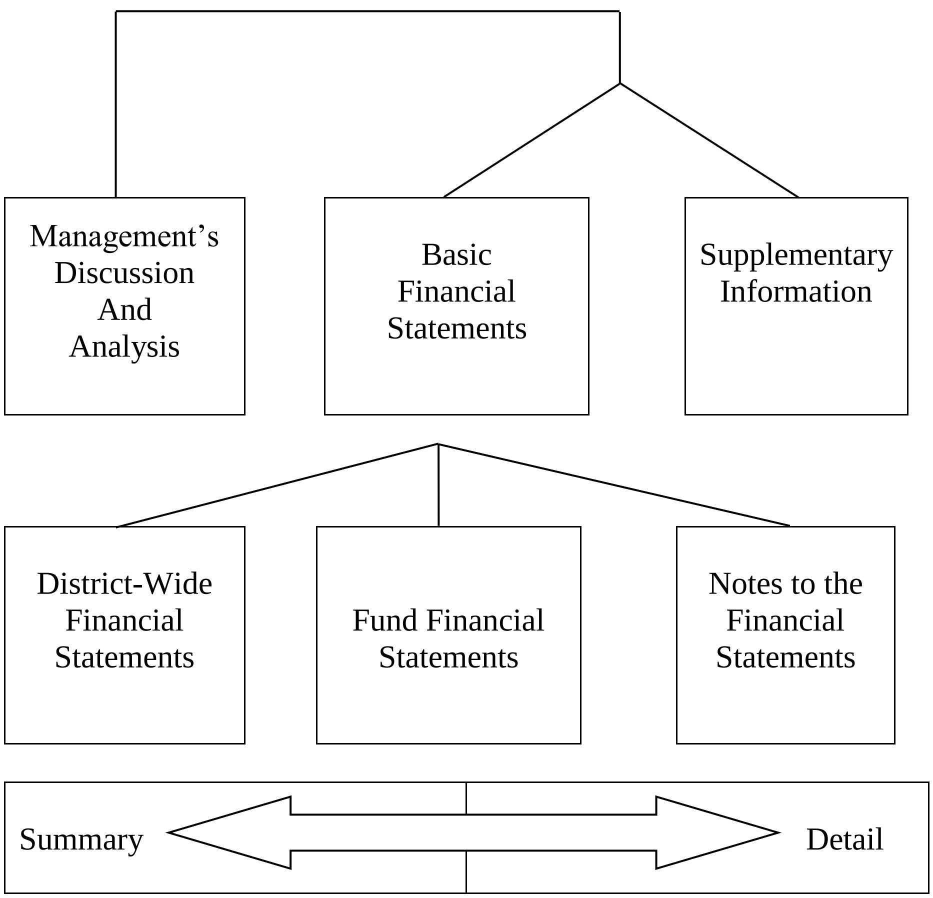


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide Financial Statements and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
	District	Governmental	Fiduciary
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

A District- ide Financial Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.

- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
  - *Unrestricted net position* are net position that do not meet any of the above restrictions.

B Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the governmental funds statements focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, school lunch fund, debt service fund, special aid fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3 FINANCIAL ANALYSIS OF THE DISTRICT AS A HOLE

A Net osition

The District's net position decreased by $2,555,160 in the fiscal year ended June 30, 2019 as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$60,440,141	$58,630,048	$1,810,093	3.09%
Capital assets, net	170,500,052	172,853,276	(2,353,224)	-1.36%
Net pension asset - proportionate share	9,294,224	3,888,954	5,405,270	138.99%
Total assets	240,234,417	235,372,278	4,862,139	2.07%
Deferred outflows of resources	73,723,916	83,014,272	(9,290,356)	-11.19%
Current liabilities	20,936,819	23,049,448	($2,112,629)	-9.17%
Long-term liabilities	454,043,996	475,829,774	(21,785,778)	-4.58%
Total liabilities	474,980,815	498,879,222	(23,898,407)	-4.79%
Deferred inflows of resources	55,362,321	33,336,971	22,025,350	66.07%
Total liabilities and deferred inflows of resources	530,343,136	532,216,193	(1,873,057)	-0.35%
Net position				
Net investment in capital assets	61,388,810	54,072,974	7,315,836	13.53%
Restricted	15,160,068	15,842,328	(682,260)	-4.31%
Unrestricted (deficit)	(292,933,681)	(283,744,945)	(9,188,736)	-3.24%
Total net position	($216,384,803)	($213,829,643)	($2,555,160)	-1.19%

Current assets and other assets increased by $1,810,093 primarily as a result of an increase in cash partially offset by the decrease in amounts due from the fiduciary fund. Capital assets (net of depreciation) decreased by $2,353,224. This was attributable to current year depreciation and loss on disposals exceeding current year capital outlay. The District reported a net pension asset - proportionate share for the teachers' retirement system in the amount of $9,294,224 as a result of the actuarial valuation provided by the state. This is an increase of $5,405,270 from the prior year. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date as discussed in Note 13, and amortization of other post-employment benefits obligation (OPEB) items as well as the change in the District's benefit payments for OPEB subsequent to the measurement date as discussed in Note 14.

Current liabilities decreased by $2,112,629. This was primarily attributable to the decrease in accrued liabilities partially offset by an increase in amounts due to the retirement systems. Long-term liabilities decreased by $21,785,778 primarily due to the decrease in the total OPEB liability and principal payments on debt being partially offset by the increase in the net pension liability. The change in deferred inflows represents amortization on the gain on defeasance as discussed in Note 12, amortization of pension items as discussed in Note 13, and amortization of deferred inflows for OPEB items, as discussed in Note 14.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. The net investment in capital assets increased over the prior year by $7,315,836 due to capital asset additions and the paydown on debt exceeding depreciation.

The restricted net position in the amount of $15,160,068 refers to the District's reserves: workers' compensation, unemployment, retirement contribution and employee benefit accrued liability, as well as amounts restricted for capital in the capital projects fund. This amount decreased by $682,260 from the prior year. The decrease is attributable to the District use of the workers' compensation reserve in the amount of $252,476, and the employee benefit accrued liability reserve in the amount of $493,705, offset by interest earnings to the reserves of $62,489, as well as the addition of $1,432 restricted for capital in the capital projects fund.

Unrestricted net position relates to the balance of the District's net position. This amount, a deficit of $292,933,681 is an increase to the deficit of $9,188,736 from the prior year. Net position overall decreased by $2,555,160.

B **Changes in Net osition**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

Table A-4: Change in Net Position from Operating Results
Governmental Activities Only

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$6,228,569	$5,801,999	$426,570	7.35%
Operating grants	3,756,787	3,477,571	279,216	8.03%
Capital grants	896,531	-	896,531	N/A
General revenues				
Real property taxes and other tax items	155,357,764	152,358,928	2,998,836	1.97%
State sources	45,284,464	44,909,260	375,204	0.84%
Use of money and property	792,402	421,215	371,187	88.12%
Other	808,281	873,452	(65,171)	-7.46%
Total revenues	213,124,798	207,842,425	5,282,373	2.54%
Expenses				
General support	29,877,623	28,899,045	978,578	3.39%
Instruction	167,574,316	164,871,559	2,702,757	1.64%
Pupil transportation	9,773,067	8,905,036	868,031	9.75%
Community services	2,325,484	2,293,295	32,189	1.40%
Debt service - interest	3,751,014	3,679,731	71,283	1.94%
Food service program	2,378,454	2,334,196	44,258	1.90%
Total expenses	215,679,958	210,982,862	4,697,096	2.23%
Increase (decrease) in net position	($2,555,160)	($3,140,437)	$585,277	18.64%

The District's fiscal year 2019 revenues totaled $213,124,798. (See Table A-4). This is an increase of $5,282,373 or 2.54% over the prior year. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing approximately 72.90% and 21.25% respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, capital grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled $215,679,958 for fiscal year 2019. This is an increase of $4,697,096 or 2.23% from the prior year. The expenses are predominantly related to general instruction and transporting students, which account for approximately 82.23% of district expenses. (See Table A-6). The District's general support activities accounted for 13.85% of total costs. This was primarily attributable to increased expenses in the general fund, as well as the change in pension and OPEB related actuarially calculated information which is allocated to the functions based on salary expenses.

Table A-5: Revenues for Fiscal Year 2019 (See Table A-4)

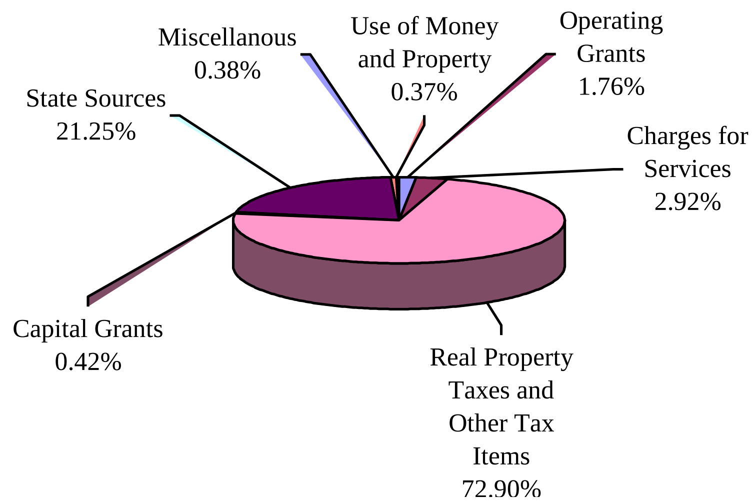
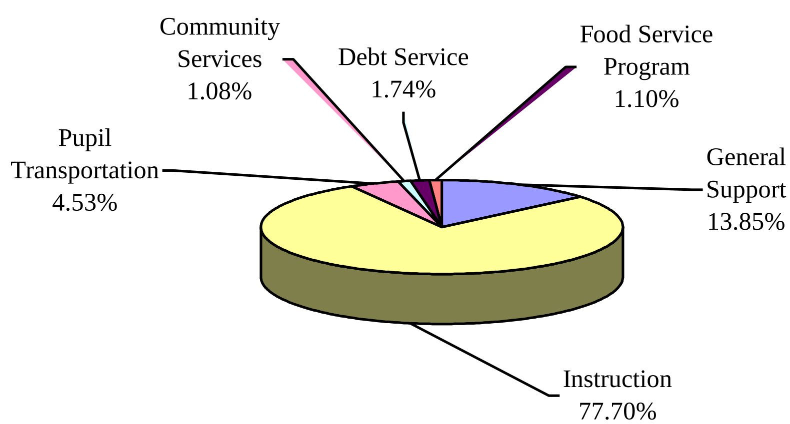


Table A-6: Expenses for Fiscal Year 2019 (See Tables A-4 and A-7)



C   <u>Governmental Activities</u>

Revenues for the District's governmental activities totaled $213,124,798 while total expenses equaled $215,679,958. While net position decreased, the continuation of the overall financial position will be dependent on the following:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Strong tax base;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES);
- Community support.

Table A-7 presents the cost of six major District activities: general support, instruction, pupil transportation, community service, debt service, and food service program. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
General support	$29,877,623	$28,899,045	$29,877,623	$28,899,045
Instruction	167,574,316	164,871,559	159,054,174	157,927,973
Pupil transportation	9,773,067	8,905,036	9,430,896	8,587,450
Community service	2,325,484	2,293,295	2,325,484	2,293,295
Debt service - interest	3,751,014	3,679,731	3,751,014	3,679,731
Food service program	2,378,454	2,334,196	358,880	315,798
Total	$215,679,958	$210,982,862	$204,798,071	$201,703,292

- The cost of all governmental activities this year was $215,679,958. (Statement of Activities, Expenses column)

- The users of the District's programs financed $6,228,569 of the cost. (Statement of Activities, Charges For Services column)

- The federal and state governments subsidized certain programs with operating grants of $3,756,787 and capital grants of $896,531. (Statement of Activities, Operating Grants column and Capital Grants column)

- Most of the District's net costs of $204,798,071 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual asis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2019, the District's combined governmental funds reported a total fund balance of $40,210,348 which is an increase of $3,898,337 from the prior year. This increase is due to the increase in the capital projects fund partially offset by the decrease in fund balance in the general fund.

A summary of the changes in fund balance for all funds are as follows:

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	$2,185,926	$2,428,822	($242,896)	-10.00%
Restricted for unemployement	145,733	145,160	573	0.39%
Restricted for retirement contribution	10,559,223	10,517,737	41,486	0.39%
Restricted for employee benefit accrued liability	2,267,754	2,750,609	(482,855)	-17.55%
Assigned- designated for subsequent year's expenditures	3,000,000	3,000,000	-	0.00%
Assigned for general support	214,310	458,205	(243,895)	-53.23%
Assigned for instruction	895,922	871,684	24,238	2.78%
Assigned for community service	-	2,878	(2,878)	-100.00%
Unassigned	6,693,536	8,392,134	(1,698,598)	-20.24%
Total fund balance - general fund	25,962,404	28,567,229	(2,604,825)	-9.12%
School Lunch Fund				
Nonspendable	95,475	51,305	44,170	86.09%
Assigned	170,937	450,962	(280,025)	-62.10%
Total fund balance - school lunch fund	266,412	502,267	(235,855)	-46.96%
Capital ro ects Fund				
Restricted for unspent debt proceeds	7,707,518	1,639,668	6,067,850	370.07%
Restricted for capital	1,432	-	1,432	N/A
Assigned	6,272,582	5,602,847	669,735	11.95%
Total fund balance - capital projects fund	13,981,532	7,242,515	6,739,017	93.05%
Total fund balance - all funds	$40,210,348	$36,312,011	$3,898,337	10.74%

The District can attribute changes to the fund balance in the general fund primarily due to operating results in which expenditures and other financing uses of $209,676,367 exceeded revenues and other financing sources of $207,071,542 resulting in an overall decrease in the general fund fund balance of $2,604,825.

The change in the restricted fund balance for the workers' compensation and employee benefit accrued liability is due to the District using the reserves in the current year, partially offset by interest earnings.

The net change in the fund balance of the school lunch fund of a decrease of $235,855 was the result of an operating deficit of $252,415 partially offset by a transfer from the general fund of $16,560.

The net change in the fund balance of the capital projects fund is an increase of $6,739,017. Capital outlay expenditures were $6,580,129, and the capital projects fund transferred $84,903 in unneeded funding back to the general fund. The District also received $4,800,000 in transfers in from the general fund per the approved budget, $896,531 in New York State Smart Schools Bond funding, and $7,707,518 in energy performance debt proceeds.

GENERAL F ND B DGETARY HIGHLIGHTS

A 0 - 0 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was $209,803,354. This amount was increased by encumbrances carried forward from the prior year in the amount of $1,332,767, which resulted in an original budget of $211,136,121. As there were no budget amendments during the year, the final budget was also $211,136,121. The majority of the funding was the real property taxes budget of $154,981,001.

B Change in the General Fund nassigned Fund Balance Budget to Actual

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

Opening, unassigned fund balance	$ 8,392,134
Revenues over budget	268,188
Expenditures and encumbrances under budget	349,522
Use of reserves	746,181
Interest transferred to reserves	(62,489)
Assigned for June 30, 2020 budget	(3,000,000)
Closing, unassigned fund balance	$ 6,693,536

The opening unassigned fund balance of $8,392,134 is the June 30, 2018 unassigned fund balance.

The revenues over budget in the amount of $268,188 were primarily in premiums on short term obligations and transfer from capital projects fund for unspent funds on completed projects. The expenditures and encumbrances under budget in the amount of $349,522 were spread out amongst the various functions, with some being overspent (see Supplemental Schedule #1 for detail).

The District used $493,705 of the employee benefit accrued liability reserve and $252,476 of the workers' compensation reserve.

The District allocated interest to the reserves of $62,489 as follows: $9,580 to the workers' compensation reserve, $573 to the unemployment reserve, $41,486 to the retirement contribution reserve, and $10,850 to the employee benefit accrued liability reserve.

The assigned, appropriated fund balance of $3,000,000 for the June 30, 2020 budget is the amount the District has chosen to use to partially fund its operating budget for 2019-2020.

The District closed the 2018-2019 fiscal year with $6,693,556 in unassigned fund balance. NYS Real Property Tax Law restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

CA ITAL ASSET AND DEBT AD INISTRATION

A Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2019. A summary of the District's capital assets, net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	2019	2018	Increase/ (Decrease)	Percentage Change
Land	$ 2,023,365	2,023,365	-	0.00%
Construction in progress	7,036,013	18,640,621	(11,604,608)	-62.25%
Buildings & building improvement	257,295,401	239,296,358	17,999,043	7.52%
Vehicles	1,097,645	1,058,372	39,273	3.71%
Furniture, machinery, equipment	2,705,663	9,885,088	(7,179,425)	-72.63%
Subtotal	270,158,087	270,903,804	(745,717)	0.28%
Less: accumulated depreciation	99,658,035	98,050,528	1,607,507	1.64%
Total Net Capital Assets	$ 170,500,052	172,853,276	(2,353,224)	-1.36%

The District spent $6,580,129 in the capital projects fund and $219,537 in the general fund on construction in progress, building improvements, and equipment purchases during the year. The District also disposed of assets, and changed their capitalization threshold, which resulted in a loss on disposal of $2,062,935, and recorded depreciation expense of $7,089,955.

B Long-Term De t

At June 30, 2019, the District had total debt payable of $114,259,659. The serial bonds were issued for district-wide projects. The energy performance debt was issued to provide building upgrades, district wide, designed to reduce energy use and expense. The decrease in outstanding serial bond debt represents the current year principal payments as well as the decrease in debt due to the bond refunding. The increase in energy performance debt payable represents the issuance during the year offset by principal payments.

More detailed information about the District's long-term debt is presented in Note 11. A summary of outstanding debt at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Serial bonds payable	$96,375,000	$106,645,000	($10,270,000)
Energy performance debt payable	17,884,659	11,364,298	6,520,361
Total	$114,259,659	$118,009,298	($3,749,639)

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2019-2020 school year was approved by the voters in the amount of $215,075,416. This is an increase of $5,272,062 or 2.51% over the previous year's adopted budget. The increase was primarily due to increases in instruction, as well as debt service and interfund transfer expenditures.

- The 2019-2020 budget includes the preservation of programs and co-curricular offerings at current levels, maintains balanced class sizes, and provides for several capital improvement projects. It also includes the implementation of a sixth grade elementary guidance counselor to address state regulations and support student needs, introduces a new musical theater elective at Ward Melville High School, and creates a fee-based Pre-K Enrichment program to offer a full-day option for students, along with the relocation of the program to each elementary school to ease student transition to kindergarten.

- The NYS Legislature has made permanent the property tax cap. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

- The District issued $28,000,000 in tax anticipation notes on September 4, 2019, maturing on June 25, 2020 with a stated interest rate of 1.75%, but an effective interest rate of 1.1747% due to premiums received.

CONTACTING THE DISTRICT'S FINANCIAL ANAGE ENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Three Village Central School District
Mr. Jeffrey Carlson
Deputy Superintendent
100 Suffolk Avenue
Stony Brook, New York 11790
(631) 730-4020

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Current assets	
Cash	
Unrestricted	$32,805,998
Restricted	22,867,586
Receivables	
State and federal aid	4,060,256
Due from other governments	585,822
Due from fiduciary funds	1,528
Accounts receivable	23,476
Inventories	95,475
Capital assets	
Not being depreciated	9,059,378
Being depreciated, net of accumulated depreciation	161,440,674
Net pension asset - proportionate share -teachers' retirement system	9,294,224
TOTAL ASSETS	240,234,417
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	52,412,767
Other post-employment benefits obligation	21,311,149
TOTAL DEFERRED OUTFLOWS OF RESOURCES	73,723,916
LIABILITIES	
Payables	
Accounts payable	$3,259,196
Accrued liabilities	5,655,311
Bond interest payable	575,977
Energy performance interest payable	131,049
Due to other governments	283
Due to fiduciary funds	1,382
Due to teachers' retirement system	9,448,072
Due to employees' retirement system	781,829
Compensated absences payable	220,006
Unearned credits	
Collections in advance	863,714
Long-term liabilities	
Due and payable within one year	
Bonds payable	9,465,000
Energy performance debt payable	1,632,813
Compensated absences payable	28,929
Due and payable after one year	
Bonds payable	86,910,000
Energy performance debt payable	16,251,846
Termination benefits payable	7,372,500
Compensated absences payable	10,820,662
Claims payable	2,185,926
Total other post-employment benefits obligation payable	315,074,547
Net pension liability - proportionate share -employees' retirement system	4,301,773
TOTAL LIABILITIES	474,980,815
DEFERRED INFLOWS OF RESOURCES	
Pensions	14,570,882
Gain on defeasance	2,559,101
Other post-employment benefits obligation	38,232,338
TOTAL DEFERRED INFLOWS OF RESOURCES	55,362,321
NET POSITION	
Net investment in capital assets	61,388,810
Restricted	
Workers' compensation	2,185,926
Unemployment insurance	145,733
Retirement contribution	10,559,223
Employee benefit accrued liability	2,267,754
Capital	1,432
	15,160,068
Unrestricted (deficit)	(292,933,681)
TOTAL NET POSITION (DEFICIT)	$(216,384,803)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS / PROGRAMS					
General support	$ (29,877,623)	-	-	-	(29,877,623)
Instruction	(167,574,316)	4,734,669	2,888,942	896,531	(159,054,174)
Pupil transportation	(9,773,067)	-	342,171	-	(9,430,896)
Community services	(2,325,484)	-	-	-	(2,325,484)
Debt service - interest	(3,751,014)	-	-	-	(3,751,014)
Food service program	(2,378,454)	1,493,900	525,674	-	(358,880)
TOTAL FUNCTIONS AND PROGRAMS	$(215,679,958)	6,228,569	3,756,787	896,531	(204,798,071)

GENERAL REVENUES	
Real property taxes	142,401,290
Other tax items - including STAR reimbursement	12,956,474
Use of money and property	792,402
Sale of property and compensation for loss	41,493
Miscellaneous	766,788
State sources	45,284,464
TOTAL GENERAL REVENUES	202,242,911
CHANGE IN NET POSITION	(2,555,160)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR	(213,829,643)
TOTAL NET POSITION (DEFICIT) - END OF YEAR	$(216,384,803)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$26,078,375	98,099	329,223	-	6,300,301	32,805,998
Restricted	15,158,636	-	-	-	7,708,950	22,867,586
Receivables						
State and federal aid	2,168,433	1,865,682	26,141	-	-	4,060,256
Due from other governments	585,822	-	-	-	-	585,822
Accounts receivable	17,906	-	5,570	-	-	23,476
Due from other funds	2,403,052	361,299	16,559	-	121,316	2,902,226
Inventories	-	-	95,475	-	-	95,475
TOTAL ASSETS	$46,412,224	2,325,080	472,968	-	14,130,567	63,340,839
LIABILITIES AND FUND BALANCES						
Payables						
Accounts payable	$3,139,681	12,847	52,871	-	53,797	3,259,196
Accrued liabilities	5,604,178	5,947	45,186	-	-	5,655,311
Due to other governments	-	-	283	-	-	283
Due to other funds	500,556	2,306,286	-	-	95,238	2,902,080
Due to teachers' retirement system	9,448,072	-	-	-	-	9,448,072
Due to employees' retirement system	781,829	-	-	-	-	781,829
Compensated absences payable	220,006	-	-	-	-	220,006
Unearned credits						
Collections in advance	755,498	-	108,216	-	-	863,714
TOTAL LIABILITIES	20,449,820	2,325,080	206,556	-	149,035	23,130,491
FUND BALANCES						
Nonspendable: Inventory	-	-	95,475	-	-	95,475
Restricted						
Workers' compensation	2,185,926	-	-	-	-	2,185,926
Unemployment insurance	145,733	-	-	-	-	145,733
Retirement contribution						
Employees' retirement	10,559,223					10,559,223
Employee benefit accrued liability	2,267,754	-	-	-	-	2,267,754
Capital	-	-	-	-	1,432	1,432
Unspent debt proceeds	-	-	-	-	7,707,518	7,707,518
Assigned						
Appropriated fund balance	3,000,000	-	-	-	-	3,000,000
Unappropriated fund balance	1,110,232	-	170,937	-	6,272,582	7,553,751
Unassigned	6,693,536	-	-	-	-	6,693,536
TOTAL FUND BALANCES	25,962,404	-	266,412	-	13,981,532	40,210,348
TOTAL LIABILITIES AND FUND BALANCES	$46,412,224	2,325,080	472,968	-	14,130,567	63,340,839

THREE VILLAGE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances		$40,210,348
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are and the assets do not appear on the Balance Sheet. The Statement of Net Position incurred, include 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	$270,158,087	
Accumulated depreciation	(99,658,035)	170,500,052
Certain disbursements previously expended in the governmental funds relating to pensions are treated as long-term assets and increase net position. The net pension asset - proportionate share -teachers' retirement system at year-end was:		9,294,224
Deferred outflows of resources related to pensions and other post-employment benefits will be recorded on the Statement of Net Position and amortized as expense in future years.		
Deferred outflows - pensions	52,412,767	
Deferred outflows - other post-employment benefits	21,311,149	73,723,916
Deferred inflows of resources related to pensions and other post-employment benefits will be recorded on the Statement of Net Position and amortized as a reduction of expense in future years.		
Deferred inflows - pensions	(14,570,882)	
Deferred inflows - other post-employment benefits	(38,232,338)	(52,803,220)
Deferred amounts on refunding - The Statement of Net Position will amortize certain long-term debt credits received over the life of the bond. Governmental funds record the long-term credits as revenue.		(2,559,101)
Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:		
Bonds interest payable	(575,977)	
Energy performance interest payable	(131,049)	(707,026)
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Bonds payable	(96,375,000)	
Energy performance debt payable	(17,884,659)	
Termination benefits payable	(7,372,500)	
Compensated absences payable	(10,849,591)	
Claims payable	(2,185,926)	
Total other post-employment benefits obligation payable	(315,074,547)	
Net pension liability - proportionate share - employees' retirement system	(4,301,773)	(454,043,996)
Total Net Position		($216,384,803)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$142,401,290	-	-	-	-	142,401,290
Other tax items - including STAR reimbursement	12,956,474	-	-	-	-	12,956,474
Charges for services	4,734,669	-	-	-	-	4,734,669
Use of money and property	791,838	-	564	-	-	792,402
Sale of property and compensation for loss	41,493	-	-	-	-	41,493
Miscellaneous	476,587	-	101,337	-	-	577,924
State sources	45,284,464	1,365,632	24,302	-	896,531	47,570,929
Federal sources	110,960	1,754,521	328,052	-	-	2,193,533
Surplus food	-	-	173,320	-	-	173,320
Sales	-	-	1,493,900	-	-	1,493,900
TOTAL REVENUES	206,797,775	3,120,153	2,121,475	-	896,531	212,935,934
EXPENDITURES						
General support	23,577,689	-	-	-	-	23,577,689
Instruction	109,543,642	3,084,830	-	-	-	112,628,472
Pupil transportation	9,321,668	342,171	-	-	-	9,663,839
Community service	1,672,775	-	-	-	-	1,672,775
Employee benefits	45,290,999	-	-	-	-	45,290,999
Debt service - principal	11,152,157	-	-	-	-	11,152,157
Debt service - interest	3,994,029	-	-	-	-	3,994,029
Cost of sales	-	-	2,373,890	-	-	2,373,890
Capital outlay	-	-	-	-	6,580,129	6,580,129
TOTAL EXPENDITURES	204,552,959	3,427,001	2,373,890	-	6,580,129	216,933,979
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,244,816	(306,848)	(252,415)	-	(5,683,598)	(3,998,045)
OTHER FINANCING SOURCES AND USES						
Premiums on short term obligations	188,864	-	-	-	-	188,864
Proceeds from refunding bond issued	-	-	-	3,200,000	-	3,200,000
Bond premium	-	-	-	432,463	-	432,463
Payements to escrow agent (advanced refunding)	-	-	-	(3,570,404)	-	(3,570,404)
Bond issuance costs	-	-	-	(62,059)	-	(62,059)
Proceeds from energy performance debt issued	-	-	-	-	7,707,518	7,707,518
Operating transfers in	84,903	306,848	16,560	-	4,800,000	5,208,311
Operating transfers (out)	(5,123,408)	-	-	-	(84,903)	(5,208,311)
TOTAL OTHER FINANCING SOURCES AND (USES)	(4,849,641)	306,848	16,560	-	12,422,615	7,896,382
TOTAL CHANGE IN FUND BALANCES	(2,604,825)	-	(235,855)	-	6,739,017	3,898,337
FUND BALANCES - BEGINNING OF YEAR	28,567,229	-	502,267	-	7,242,515	36,312,011
FUND BALANCES - END OF YEAR	$25,962,404	-	266,412	-	13,981,532	40,210,348

THREE VILLAGE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances		$3,898,337
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 expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial		
Increase in compensated absences payable		(950,331)
Increase in termination benefits payable		(757,500)
Decrease in claims payable		360,518
Increases / decreases in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation, and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	$2,237,352	
Employees' retirement system	(422,761)	
Other post-employment benefits obligation	(8,193,146)	(6,378,555)
Long-Term Debt Transactions		
Proceeds from energy performance debt is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(7,707,518)
Repayment of bond principal and energy performance debt 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.		11,457,157
Premiums reserved on long-term liabilities are revenues in the governmental funds, but are deferred in the Statement of Net Position.		(367,059)
Governmental funds report the premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization for the gain on defeasance is:		218,630
Interest on long-term debt in the Statement of Activities differs from the amounts 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, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2018 to June 30, 2019 changed by:		24,385
Capital Related Items		
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 expense in the		
Capital outlays	$6,799,666	
Depreciation and loss on disposal expense	(9,152,890)	(2,353,224)
Change in Net Position of Governmental Activities		($2,555,160)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Restricted Cash	$67,671	$725,513
Due from governmental funds	-	1,382
TOTAL ASSETS	$67,671	$726,895
LIABILITIES		
Due to governmental funds	-	1,528
Extraclassroom activity balance	-	475,909
Other liabilities	-	249,458
TOTAL LIABILITIES	-	$726,895
NET POSITION		
Restricted for scholarships	67,671	
TOTAL NET POSITION	$67,671	

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$17,875
Interest and earnings	130
TOTAL ADDITIONS	18,005
DEDUCTIONS	
Scholarships and awards	13,000
TOTAL DEDUCTIONS	13,000
CHANGE IN NET POSITION	5,005
NET POSITION - BEGINNING OF YEAR	62,666
NET POSITION - END OF YEAR	$67,671

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Three Village Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

A) Reporting Entity:

The laws of New York govern the District. The District is an independent entity governed by an elected Board of Education consisting of 7 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 reporting entity of the District is based upon criteria set forth by GASB Statement No.14, *The Financial Reporting Entity*, as amended by GASB Statement No.39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No.61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. 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 is a brief description of certain entities included in the District's reporting entity.

i) 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

B) Joint Venture:

The District is a component district in the Eastern Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State 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 §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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 the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of Presentation:

i) District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants, if applicable.

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of Fund Financial Statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This fund is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts 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 either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

Fiduciary Fund: These funds are used to account for fiduciary activities. Fiduciary activities are those 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. There are two classes of fiduciary funds:

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.

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.

D) Measurement Focus and Basis of Accounting:

The District-Wide Financial Statements 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 property taxes, grants and donations. On an accrual basis, revenue from 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.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 six months 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, termination benefits, compensated absences, other post-employment benefits, and pension liabilities, 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.

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.

E) Real Property Taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven and Town of Smithtown during 2018-2019.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

G) Interfund Transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are 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 Financial Statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be 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.

Refer to Note 9 for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures and revenues activity.

H) 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, deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, termination benefits, other post-employment benefits, workers' compensation claims liability, pension liabilities and useful lives of long-lived assets.

I) Cash and Cash Equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J) **Receivables:**

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) **Inventories and Prepaid Items:**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items as of June 30, 2019.

L) **Capital Assets:**

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & building improvements	$5,000	Straight-line	30-50 years
Land improvements	$5,000	Straight-line	20 years
Furniture, equipment and vehicles	$5,000	Straight-line	5-20 years

M) **Collections in Advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the

District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded. Collections in advance as of June 30, 2019 consisted of funds received for summer programs and instrument rentals in the general fund, and prepaid balances for meals in the school lunch fund.

N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 14.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. These amounts are related to pensions and the other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 14, as well as the gain on defeasance which is being amortized over the life of the bond, and detailed further in Note 12.

O) Vested Employee Benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collective bargained agreements require these compensated absences to be paid in the form of non-elective contributions to the employee's 403(b) plan.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting termination 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.

Termination benefits:

Retirement incentive consist of first year eligible retirement incentive payments as specific in collective bargaining agreements. The liability is calculated in accordance with GASB Statement No. 47 *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

In the Fund Financial Statements only, the amount of matured liabilities for termination benefits is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. A liability is included only for those employees who have obligated themselves to separate from service with the District by June 30th.

P) Other Benefits:

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure as the liability for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

Q) 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 budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

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 dated.

R) Accrued Liabilities and Long-Term Obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, compensated absences, termination benefits, other post-employment benefits, and pension liabilities that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S) Equity Classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial 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 acquisition, constructions or improvements of those assets, net of any unspent proceeds and including any unamortized items (discounts, premiums, gain on refunding).

Restricted net position - 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 net position - reports the balance of net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

(1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of $95,475.

(2) **Restricted** fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m), must be 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. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit 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. This reserve is accounted for in the general fund under restricted fund balance.

Capital

Restricted for capital in the capital projects fund includes the fund balance of projects that are funded by state aid or grants and are restricted for those purposes. These restricted funds are accounted for in the capital projects fund.

Unspent debt proceeds

Unspent debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships

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

(3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2019.

(4) **Assigned** fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

(5) **Unassigned** fund balance –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) 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 unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T) Future Changes in Accounting Standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ended June 30, 2021. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which are superseded by this Statement.

GASB Statement No. 90 *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for the fiscal year ended June 30, 2020. This Statement seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit.

GASB Statement No. 91 *Conduit Debt Obligations*, effective for the fiscal year ended June 30, 2022. This Statement requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial 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 focus of the Statement of Activities, compared with the current financial resources 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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) 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 modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets 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.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. 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 are increased by the planned use of specific reserves, and 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). 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. There were no supplemental appropriations that occurred during the fiscal year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. 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 reservations of fund balance 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.

C) Expenditures in Excess of Budget:

Certain individual budgetary expenditures exceeded their budgetary authorizations in the general fund.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States 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 the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 with securities held by the pledging financial institution in the District's name; or
C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

B) Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2019 included $22,867,586 within in the governmental funds for capital projects and general reserve purposes and $793,184 within the fiduciary funds.

C) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the year, the District was billed $8,628,876 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,620,966. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2019 consisted of the following:

General fund	
Excess cost aid	$547,468
BOCES aid	1,620,965
Total	2,168,433
Special aid fund	
Federal aid	248,530
State and local aid	1,617,152
Total	1,865,682
School lunch fund	
State aid - breakfast & lunch	1,758
Federal aid - breakfast & lunch	24,383
Total	26,141
Total State and federal aid receivable	$ 4,060,256

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2019 consisted of the following:

Foster tuition	$378,601
Health and welfare services	26,466
Cross contract billing	180,755
Total Due from other governments	$585,822

District management has deemed these amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$2,023,365	-	-	$2,023,365
Construction in progress	18,640,621	$5,109,616	($16,714,224)	7,036,013
Total capital assets not being depreciated	20,663,986	5,109,616	(16,714,224)	9,059,378
Capital assets that are depreciated:				
Building & building improvements	239,296,358	1,470,512	16,528,531	257,295,401
Vehicles	1,058,372	62,868	(23,595)	1,097,645
Furniture and equipment	9,885,088	156,670	(7,336,095)	2,705,663
Total capital assets being depreciated	250,239,818	1,690,050	9,168,841	261,098,709
Less accumulated depreciation:				
Building & building improvements	90,404,959	6,874,420	(174,799)	97,104,580
Vehicles	848,637	41,521	(22,867)	867,291
Furniture and equipment	6,796,932	174,014	(5,284,782)	1,686,164
Total accumulated depreciation	98,050,528	7,089,955	(5,482,448)	99,658,035
Total capital assets being depreciated, net	152,189,290	(5,399,905)	14,651,289	161,440,674
Total capital assets, net	$172,853,276	($290,289)	($2,062,935)	$170,500,052

Depreciation expense and the loss on disposal have been allocated to the following functions:

General Support	$79,884
Instruction	9,068,442
Food service program	4,564
	$9,152,890

During the fiscal year, the District increased its capitalization threshold from $500 to $5,000. Accordingly, items previously recorded as capital assets, that had an original cost between these two capitalization thresholds, have been removed for the fiscal year ended June 30, 2019, through the retirements/reclassifications column in the chart above.

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$2,403,052	$500,556	$84,903	$5,123,408
Special aid fund	361,299	2,306,286	306,848	-
School lunch fund	16,559	-	16,560	-
Debt service fund	-	-	-	-
Capital projects fund	121,316	95,238	4,800,000	84,903
Total government activities	2,902,226	2,902,080	5,208,311	5,208,311
Fiduciary agency fund	1,382	1,528	-	-
Totals	$2,903,608	$2,903,608	$5,208,311	$5,208,311

The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to cover the negative balances on students who owe money to the District for lunches. The District transferred from the general fund to the capital projects fund to fund capital projects. The District also transferred unused funds on capital projects back to the general fund.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All inter-fund payables are expected to be repaid within one year.

NOTE 10 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2019	2.75%	$ -	$ 28,000,000	$ 28,000,000	$ -
Total			$ -	$ 28,000,000	$ 28,000,000	$ -

The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations. Interest in the amount of $596,750 was paid on the TAN. The District also received a premium in the amount of $188,864 which resulted in a net interest cost of $407,886.

NOTE 11 – LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
General obligation debt:					
Construction serial bonds	$106,645,000	$3,200,000	$13,470,000	$96,375,000	$9,465,000
Energy performance debt payable	11,364,298	7,707,518	1,187,157	17,884,659	1,632,813
Other liabilities:					
Termination benefits payable	6,615,000	967,500	210,000	7,372,500	-
Compensated absences payable	9,899,260	1,444,036	493,705	10,849,591	28,929
Claims payable	2,546,444	148,061	508,579	2,185,926	-
Total other post-employment benefits obligation	336,843,991	22,505,566	44,275,010	315,074,547	-
Net pension liability -proportionate share	1,915,781	5,175,636	2,789,644	4,301,773	-
Total long-term liabilities	$475,829,774	$41,148,317	$62,934,095	$454,043,996	$11,126,742

The general fund has typically been used to liquidate long-term liabilities such as serial bonds, energy performance debt, termination benefits, compensated absences, claims payable, total other post-employment benefits obligation and net pension liability.

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial Bonds	8/4/2005	6/1/2020	3.25 - 5.0%	$1,605,000
Serial Bonds	12/1/2008	6/1/2024	4.0-4.50%	6,300,000
Serial Bonds - Refunding	3/17/2016	12/15/2029	4%	15,065,000
Serial Bonds	8/25/2016	8/15/2031	2-2.25%	47,950,000
Serial Bond - Refunding	8/29/2017	5/1/2030	2.0-4.0%	22,300,000
Serial Bond - Refunding	4/11/2019	5/15/2026	5.0%	3,155,000
		Total Bonds payable		$96,375,000

On April 11, 2019, $3,200,000 in general obligation bonds with an interest rate of 5.0% were issued to advance refund $3,505,000 of 2010 outstanding bonds with an interest rate of 4.0%-4.25%. The net proceeds of $3,570,404 (after premium received of $432,463 and payment of $62,059 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2010 bond is considered to be defeased and the liability for this bond has been removed from the financial statements. The 2010 bonds were callable in May 2019. The District advance refunded the 2010 bonds to reduce its total debt service payments over the next 7 years by $298,123 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $279,881.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$9,465,000	$2,853,975	$12,318,975
2021	8,155,000	2,514,438	10,669,438
2022	8,450,000	2,245,125	10,695,125
2023	8,755,000	1,962,600	10,717,600
2024	8,665,000	1,669,150	10,334,150
2025-2029	37,120,000	4,754,800	41,874,800
2030-2032	15,765,000	510,800	16,275,800
Total	$96,375,000	$16,510,888	$112,885,888

Upon default of the payment of principal or interest on the serial bonds of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

B) Energy Performance Debt

Energy performance debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance debt	3/8/2012	3/1/2025	2.43%	$5,163,020
Energy performance debt	1/27/2015	1/15/2030	2.27%	5,014,121
Energy performance debt	5/1/2019	5/1/2034	2.885%	7,707,518
	Total energy performance debt payable			$17,884,659

On May 1, 2019 the District issued energy performance debt payable in the amount of $7,707,518, to install photovoltaic cells on all of the schools to provide solar power. Installation of the solar panels will be completed during the 2019 – 2020 fiscal year, and will generate over 2.8 megawatts of electricity. This will provide approximately one third of all of the electric power used by the district, saving over $700,000 per year in utility costs.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$1,632,813	$451,477	$2,084,290
2021	1,673,998	410,292	2,084,290
2022	1,716,230	368,059	2,084,289
2023	1,759,538	324,752	2,084,290
2024	1,803,947	280,343	2,084,290
2025-2029	5,844,527	857,059	6,701,586
2030-2034	3,453,606	247,317	3,700,923
Total	$17,884,659	$2,939,299	$20,823,958

Upon default of the payment of principal or interest on the energy performance contract of the District, the lesser may retake possession of the equipment or require the lessee to return the equipment. The lesser may terminate the escrow agreement, in which future principal and interest payments are located, and apply any proceeds in the escrow account to the rental payment due.

C) Long-term Interest

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

	Total
Interest paid	$3,397,279
Less interest accrued in the prior year	(731,411)
Plus interest accrued in the current year	707,026
Less amortization of deferred gain on defeasance	(218,630)
Total expense	$3,154,264

NOTE 12 – DEFERRED INFLOWS OF RESOURCES- GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2010 bond refunded in 2016, the 2008 and 2009 bond refunded in 2018, and the 2010 bond refunded in 2019, as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2019 consisted of the following:

	2010 Bond	2008 & 2009 Bond	2010 Bond	Total
Gain on defeasance	$1,730,195	$1,037,072	$367,059	$3,134,326
Accumulated amortization	(414,200)	(150,102)	(10,923)	(575,225)
Balance of Gain on defeasance	$1,315,995	$886,970	$356,136	$2,559,101

The gain on defeasance on the advanced refunding are being amortized on the District-Wide Financial Statements using the straight-line method over 15 years for the 2010 bond (2016), 13 years for the 2008 and 2009 bond, and 8 years on the 2010 bond (2019), the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction to interest expense.

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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 TRS. Once a public employer elects to participate in the System, 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Retirement System (ERS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, 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 System is included in the State's financial report as a pension trust fund. ERS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
    b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
        i. Employees contribute 3.5% of their salary throughout active membership.
    c. Employees who joined the system on or after April 1, 2012
        i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State and Local Retirement System
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
    b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
        i. Employees contribute 3% of their salary throughout active membership.
    c. Employees who joined the system on or after April 1, 2012
        i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's average contribution rate for ERS' fiscal year ended March 31, 2019 was 14.05% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2019 was 10.62% of covered payroll.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

	NYSERS	NYSTRS
2018-2019	$2,848,752	$9,128,281
2017-2018	$2,371,411	$8,204,299
2016-2017	$2,749,492	$9,502,307

C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2019, 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 March 31, 2019 for ERS and June 30, 2018 for TRS. 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 ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	$ (4,301,773)	$ 9,294,224
District's portion of the Plan's total net pension asset/(liability)	0.0607140%	0.513986%
Change in proportion since the prior measurement date	0.0013549%	0.002348%

For the fiscal year ended June 30, 2019, the District recognized pension expense of $6,895,702 for TRS and pension expense of $3,305,216 for ERS. At June 30, 2019, 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	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 847,109	$ 6,945,499	$ 288,770	$ 1,258,101
Net difference between projected and actual earnings on pension plan investments	-	-	1,104,073	10,317,297
Changes of assumptions	1,081,290	32,489,410	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,100,837	38,512	45,762	1,556,879
District's contributions subsequent to the measurement date	781,829	9,128,281	-	-
	$ 3,811,065	$ 48,601,702	$ 1,438,605	$ 13,132,277

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Fiscal Year ended:		
2020	$ 1,318,510	$ 8,998,400
2021	(556,609)	6,007,450
2022	151,862	349,521
2023	676,868	5,985,553
2024	-	4,040,607
Thereafter	-	959,613
	$ 1,590,631	$ 26,341,144

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:

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5%, annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. 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.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

	ERS		TRS	
Valuation Date	April 1, 2018		June 30, 2017	
Asset type	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Domestic equity	36%	4.55%	33%	5.8%
International equity	14%	6.35%	16%	7.3%
Global equity			4%	6.7%
Private equity	10%	7.50%	8%	8.9%
Real estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.5%
Private debt			1%	6.8%
Real estate debt			7%	2.8%
Short-term			1%	0.3%
	100%		100%	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.3% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. 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. 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 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 7.0% for ERS and 7.25% for TRS, 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 (6.0% for ERS and 6.25% for TRS) or 1-percentage-point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset (liability)	($18,808,040)	($4,301,773)	$7,884,520

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension asset (liability)	($63,852,835)	$9,294,224	$70,571,132

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)	
	ERS	TRS
Valuation date	April 1, 2018	June 30, 2017
Employers' total pension liability	$ (189,803,429)	$ (118,107,254)
Plan Net Position	182,718,124	119,915,518
Employers' net pension asset/(liability)	$ (7,085,305)	$ 1,808,264
Ratio of plan net position to the Employers' total pension asset/(liability)	96.27%	101.53%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to $781,829.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to $9,448,072.

D) 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 termination payments based on collectively bargained agreements. Contributions expensed by the District and withheld by employees for the fiscal year ended June 30, 2019, totaled $363,846 and $4,388,962 respectively.

E) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District may also make contributions based on various employment contracts and collectively bargained agreements. Contributions expensed by the District and withheld by employees for the fiscal year ended June 30, 2019, totaled $10,000 and $470,585.

NOTE 14 – OTHER POST-EMPLOYMENT BENEFITS (HEALTH INSURANCE):

A) Plan Description:

The District primarily provides post-employment hospital, medical and prescription drug benefit coverage to retired employees and their spouses and eligible dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

On January 1, 1992, the District joined together with other districts to form an employee health insurance consortium, the Suffolk School Employees Health Plan (the "Plan"). The Plan is a public entity risk pool currently operating as a common risk management and health insurance program and is considered an agent multiple-employer health plan. The Plan is administered by United Health Care. The District pays an annual premium to the pool for its health insurance coverage. The Plan has obtained stop-loss insurance to reduce its exposure to excessive losses resulting from large covered claims. Although stop-loss insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim. The Plan also permits the assessment of additional contributions from the participating District employers in the form of supplemental assessments in the event of a plan shortfall in any fiscal year. The plan issues a publicly available financial report. The report may be obtained by writing to the New York State Insurance Department Life Insurance Companies Bureau, 160 West Broadway, New York, NY 10013.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Benefits Provided

The Plan provides medical, prescription and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 83% and 100% of premiums for retirees and for family coverage depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2019, the District contributed an estimated $9,762,293 to the Plan, including $9,762,293 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,196
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	794
Total	1,990

B) **Total OPEB Liability:**

The District's total OPEB liability of $315,074,547 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.90% including inflation
Discount rate	4.10%
Healthcare cost trend rates:	
Pre-65 Medical/retiree contributions	6.5% decreasing by 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Post-65 medical	4.5%
Prescription drug	8.5% decreasing by 0.5% per year to an an ultimate rate of 4.5% for 2027 and later years
Administrative costs	3.0%
Retirees' share of benefit-related costs	0% for certain categories, 16% for teachers, 17% for administrators, and various amounts for others, of projected health insurance premiums for retirees

The discount rate was based on a yield of index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

Mortality and turnover assumptions used are the same as those used in the June 30, 2016 actuarial valuation for the New York State Teachers' Retirement System completed by the NYS Office of the Actuary.

The remaining demographic assumptions were based on historical experience of the Plan and current demographic data, adjusted to reflect professional judgement of the actuary.

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2018	$ 336,843,991
Changes for the fiscal year:	
Service cost	11,084,624
Interest	11,420,942
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(34,512,717)
Benefit payments	(9,762,293)
Net changes	(21,769,444)
Balance at June 30, 2019	$ 315,074,547

Changes in assumptions and other inputs reflect the following:

- The discount rate was changed from 3.44% to 4.10%.

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 (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	$369,017,132	$315,074,547	$272,047,369

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$261,926,970	$315,074,547	$389,285,295

D) <u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:</u>

For the fiscal year ended June 30, 2019, the District recognized OPEB expense (credit) of $18,100,979. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,880,503	$ -
Changes of assumptions or other inputs	-	38,232,338
District's benefit payments made subsequent to measurement date	5,430,646	-
	$ 21,311,149	$ 38,232,338

Benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year ended June 30:	
2020	$ (4,404,587)
2021	(4,404,587)
2022	(4,404,587)
2023	(4,899,672)
2024	(4,238,402)
Thereafter	-
	$ (22,351,835)

NOTE 15 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers outlined in their employment contract. In general, administrators having served at least 10 years employed by the District and 20 years in the New York State Teachers' Retirement System or Employees' Retirement System are entitled to a retirement incentive of $30,000. Teachers having been employed by the District for at least 15 years and have 20 years in the New York State Teachers' Retirement System are entitled to an incentive in the amount of $22,500. The current value of incentive payments earned is $7,372,500 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 16 - TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by $474,257 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $368,488 for these programs during the fiscal year.

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Nonpool Risk Retained:

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 claims which were incurred on or before year-end but not paid. As of June 30, 2019, the District has incurred but unpaid claims liability in the amount of $2,185,926 and has a workers' compensation reserve balance of $2,185,926. Claims activity for the current and preceding year is summarized below:

	2019	2018
Unpaid claims, beginning of year	$2,546,444	$2,424,781
Incurred claims and claim adjustment expenses	148,061	800,422
Claim payments	(508,579)	(678,759)
Unpaid claims, end of year	$2,185,926	$2,546,444

NOTE 18– COMMITMENTS AND CONTINGENCIES:

A) 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, will be immaterial.

B) Litigation:

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the district's potential exposure, if any, at this time.

C) Encumbrances:

All encumbrances are classified as assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	$214,310
Instruction	895,922
	$1,110,232

NOTE 19– SUBSEQUENT EVENTS:

A) The District issued $28,000,000 in tax anticipation notes on September 4, 2019, maturing on June 25, 2020 with a stated interest rate of 1.75%, but an effective interest rate of 1.1747% due to premiums received.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local sources				
Real property taxes	$154,981,001	154,981,001	142,401,290	(12,579,711)
Other real property tax items	-	-	12,956,474	12,956,474
Charges for services	4,095,000	4,095,000	4,734,669	639,669
Use of money and property	345,000	345,000	791,838	446,838
Sale of property and compensation for loss	-	-	41,493	41,493
Miscellaneous	1,050,000	1,050,000	476,587	(573,413)
State sources				
Basic formula	36,047,270	36,047,270	33,640,086	(2,407,184)
Excess cost aid	1,500,000	1,500,000	3,061,460	1,561,460
Lottery aid	5,800,000	5,800,000	5,663,051	(136,949)
BOCES aid	1,600,000	1,600,000	1,620,966	20,966
Textbook Aid	372,083	372,083	279,642	(92,441)
Computer software and hardware aid	170,000	170,000	167,734	(2,266)
Library A/V loan program aid	43,000	43,000	42,262	(738)
Tuition aid	800,000	800,000	775,007	(24,993)
Other State Aid	-	-	34,256	34,256
Federal sources	-	-	110,960	110,960
TOTAL REVENUES	206,803,354	206,803,354	206,797,775	(5,579)
Other financing sources				
Premiums on short term obligations	-	-	188,864	188,864
Transfers from other funds	-	-	84,903	84,903
TOTAL REVENUE AND OTHER FINANCING SOURCES	206,803,354	206,803,354	207,071,542	268,188
Appropriated fund balance	3,000,000	3,000,000		
Appropriated reserves	1,332,767	1,332,767		
TOTAL REVENUES & APPROPRIATED FUND BALANCE & RESERVES	$211,136,121	211,136,121		

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.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	$180,485	180,485	152,900	-	27,585
Central administration	507,523	507,448	519,261	-	(11,813)
Finance	2,041,108	2,024,288	1,942,823	-	81,465
Staff	1,525,081	1,525,081	1,443,637	100	81,344
Central services	16,732,326	17,883,767	17,669,557	214,210	-
Special items	1,900,131	1,900,131	1,849,511	-	50,620
Total general support	22,886,654	24,021,200	23,577,689	214,310	229,201
Instructional					
Instruction, adm. & imp.	5,789,866	7,031,728	7,023,770	7,958	-
Teaching - regular schools	61,248,265	61,198,695	60,817,771	380,924	-
Programs for children with handicapping conditions	28,948,595	28,724,743	28,276,845	386,620	61,278
Occupational education	754,413	754,413	630,030	-	124,383
Teaching special schools	571,387	550,072	415,634	-	134,438
Instructional media	3,274,248	3,274,248	3,114,847	99,440	59,961
Pupil services	8,909,501	9,285,725	9,264,745	20,980	-
Total instrucional	109,496,275	110,819,624	109,543,642	895,922	380,060
Pupil transportation	9,377,473	9,470,948	9,321,668	-	149,280
Community services	2,005,720	1,672,775	1,672,775	-	-
Employee benefits	47,509,424	45,290,999	45,290,999	-	-
Debt service					
Debt service principal	11,107,244	11,107,244	11,152,157	-	(44,913)
Debt service interest	3,653,331	3,653,331	3,994,029	-	(340,698)
Total debt service	14,760,575	14,760,575	15,146,186	-	(385,611)
TOTAL EXPENDITURES	206,036,121	206,036,121	204,552,959	1,110,232	372,930
Other financing uses					
Transfers to other funds	5,100,000	5,100,000	5,123,408	-	(23,408)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$211,136,121	211,136,121	209,676,367	1,110,232	349,522
NET CHANGE IN FUND BALANCES			(2,604,825)		
FUND BALANCES - BEGINNING OF YEAR			28,567,229		
FUND BALANCES - END OF YEAR			25,962,404		

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.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019

Total OPEB Liability	**2019**	**2018**
Service cost	$ 11,084,624	$ 8,693,204
Interest	11,420,942	12,185,492
Changes of benefit terms	-	(1,734,544)
Differences between expected and actual experience	-	24,464,559
Changes of assumptions or other inputs	(34,512,717)	(15,057,988)
Benefit payments	(9,762,293)	(10,663,191)
Net change in total OPEB liability	(21,769,444)	17,887,532
Total OPEB liability - beginning	336,843,991	318,956,459
Total OPEB liability - ending	$ 315,074,547	$ 336,843,991
Covered-employee payroll	$ 102,659,551	$ 102,659,551
Total OPEB liability as a percentage of covered-employee payroll	306.91%	328.12%

Notes to Schedule:

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 to pay related benefits.

Changes of Benefit Terms

For fiscal year 2018, there was an increase in the retirees' share of health insurance premiums from 15% to 16 % for teachers, and to 17% for administrators.

Changes of Assumptions

The discount rate was 3.78% as of December 31, 2016 (for June 2017).
The discount rate was 3.44% as of December 31, 2017 (for June 2018).
The discount rate was 4.10% as of December 31, 2018 (for June 2019).

Mortality rates and turnover rates as of December 31, 2017 were changed to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.

The amounts presented for each fiscal year are as of the measurement date of the Plan, December 31 of each fiscal year.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY)/ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, 2019

NYSERS Pension Plan

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)/asset	0.0607140%	0.0593591%	0.0553997%	0.0582109%	0.0563834%	0.0563834%
District's proportionate share of the net pension (liability)/asset	$ (4,301,773)	$ (1,915,781)	$ (5,205,482)	$ (9,343,017)	$ (1,904,769)	$ (2,547,886)
District's covered payroll	$ 19,970,536	$ 19,172,697	$ 18,821,898	$ 17,795,350	$ 17,430,907	$ 16,364,574
District's proportionate share of the net pension (liability)/ asset as a percentage of its covered payroll	21.54%	9.99%	27.66%	52.50%	10.93%	15.57%
Plan fiduciary net position as a percentage of the total pension (liability)/ass	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)/asset	0.513986%	0.511638%	0.491544%	0.481885%	0.481509%	0.493719%
District's proportionate share of the net pension (liability)/asset	$ 9,294,224	$ 3,888,954	$ (5,264,646)	$ 50,052,509	$ 53,637,103	$ 3,249,922
District's covered payroll	$ 83,722,567	$ 81,863,194	$ 77,702,662	$ 74,499,071	$ 73,171,265	$ 74,406,002
District's proportionate share of the net pension (liability)/asset as a percentage of its covered payroll	11.10%	4.75%	6.78%	67.19%	73.30%	4.37%
Plan fiduciary net position as a percentage of the total pension (liability)/ass	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019

NYSERS Pension Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 2,848,752	2,371,411	2,749,492	3,091,745	3,208,082	3,344,752	3,052,667	2,671,340	1,976,998
Contributions in relation to the contractually required contribution	2,848,752	2,371,411	2,749,492	3,091,745	3,208,082	3,344,752	3,052,667	2,671,340	1,976,998
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-
District's covered payroll	$20,270,093	19,292,160	18,711,788	17,795,350	17,289,597	16,807,381	16,372,235	16,479,292	16,243,544
Contributions as a percentage of covered payroll	14.05%	12.29%	14.69%	17.37%	18.55%	19.90%	18.65%	16.21%	12.17%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 9,128,281	8,204,299	9,502,307	10,057,742	12,689,336	11,588,037	8,562,584	8,043,989	6,236,528
Contributions in relation to the contractually required contribution	9,128,281	8,204,299	9,502,307	10,057,742	12,689,336	11,588,037	8,562,584	8,043,989	6,236,528
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-
District's covered payroll	$85,953,680	83,722,567	81,863,194	77,702,662	74,499,071	73,171,265	74,406,002	74,328,019	74,509,330
Contributions as a percentage of covered payroll	10.62%	9.80%	11.61%	12.94%	17.03%	15.84%	11.51%	10.82%	8.37%

This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$209,803,354
Add: Prior year's encumbrances	1,332,767
Original Budget	211,136,121
Budget revisions:	-
Final Budget	$211,136,121

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter approved expenditure budget		$215,075,416
Maximum allowed (4% of the 2019-2020 budget)		$8,603,017
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$4,110,232	
Unassigned fund balance	6,693,536	
Total unrestricted fund balance		10,803,768
Less:		
Appropriated fund balance	3,000,000	
Encumbrances included in assigned fund balance	1,110,232	
Total adjustments		4,110,232
*General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$6,693,536
Actual percentage		3.11%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions"," updated April 2011 (originally issued November 2010), the portion of [general fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserves for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
AS OF JUNE 30, 2019

				Expenditures to Date				Methods of Financing				Fund
Project Title	Project #	Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Sources	Local Sources	Total	Balance June 30, 2019
2014 Bond Projects												
2014 Bond Setauket Phase 3	001-035	$ -	3,765,803	3,357,271	408,532	3,765,803	-	3,764,803	-	1,000	3,765,803	-
2014 Bond Nassakeag (auditorium)	002-028	500,000	234,009	234,009	-	234,009	-	234,009	-	-	234,009	-
2014 Bond Nassakeag Phase 3	002-029	-	4,777,206	4,363,884	413,322	4,777,206	-	4,568,206	-	209,000	4,777,206	-
2014 Bond Mount Phase 3	006-028	-	5,085,776	4,701,148	384,628	5,085,776	-	4,774,276	-	311,500	5,085,776	-
2014 Bond Phase 2 Arrowhead	007-028	-	5,296,306	5,296,306	-	5,296,306	-	5,296,306	-	-	5,296,306	-
2014 Gelinas (lockers, curtains)	008-035	-	934,931	934,931	-	934,931	-	934,931	-	-	934,931	-
2014 Bond Phase 2 Gelinas	008-036	-	7,607,360	7,607,360	-	7,607,360	-	7,607,360	-	-	7,607,360	-
2014 Bond Ward Melville (stairs, lockers)	009-038	2,093,640	2,255,433	2,255,433	-	2,255,433	-	2,255,433	-	-	2,255,433	-
2014 Bond Melville Phase 2	009-039	-	11,357,013	11,357,013	-	11,357,013	-	11,357,013	-	-	11,357,013	-
2014 Bond Melville	009-040	-	91,381	91,381	-	91,381	-	91,381	-	-	91,381	-
2014 Bond Minnesauke (auditorium)	014-027	500,000	151,578	151,578	-	151,578	-	151,578	-	-	151,578	-
2014 Bond Minni Phase 3	014-028	-	4,325,173	3,939,829	385,344	4,325,173	-	4,059,173	-	266,000	4,325,173	-
2014 Bond Murphy (lockers, curtains)	015-032	-	662,402	662,402	-	662,402	-	662,402	-	-	662,402	-
2014 Bond Phase 2 Murphy	015-034	-	7,562,557	7,562,557	-	7,562,557	-	5,562,557	-	2,000,000	7,562,557	-
2014 Bond North Country (exterior lighting)	018-016	-	158,963	158,963	-	158,963	-	158,963	-	-	158,963	-
2014 Bond -North Country Lrng Cnt.	018-020	-	330,677	330,677	-	330,677	-	330,677	-	-	330,677	-
2014 Bond Ward Melville Field House	064-001	198,900	213,715	213,715	-	213,715	-	213,715	-	-	213,715	-
2014 Bond North Country - Maint. Bldg	3071-001	-	2,132,217	1,901,441	230,776	2,132,217	-	2,132,217	-	-	2,132,217	-
2014 Bond to be allocated		25,216,246	-	352,092	(352,092)	-	-	-	-	-	-	-
Subtotal 2014 bond projects		28,508,786	56,942,500	55,471,990	1,470,510	56,942,500	-	54,155,000	-	2,787,500	56,942,500	-
15/16 Mount	006-030	300,000	200,048	200,048	-	200,048	-	-	-	200,048	200,048	-
15/16 Ward Melville	009-042	1,480,000	1,695,049	1,695,049	-	1,695,049	-	-	-	1,695,049	1,695,049	-
16/17 Setauket	001-037	317,250	317,250	14,710	494	15,204	302,046	-	-	317,250	317,250	302,046
16/17 Nassakeag	002-031	749,440	724,440	144,583	302,532	447,115	277,325	-	-	724,440	724,440	277,325
16/17 Mount	006-031	640,880	655,880	60,224	269,230	329,454	326,426	-	-	655,880	655,880	326,426
16/17 Arrowhead	007-030	498,120	498,120	75,547	258,827	334,374	163,746	-	-	498,120	498,120	163,746
16/17 Gelinas	008-039	436,120	436,120	99,122	436,099	535,221	(99,101)	-	-	436,120	436,120	(99,101)
16/17 Ward Melville	009-043	119,230	119,230	9,555	494	10,049	109,181	-	-	119,230	119,230	109,181
16/17 Minnesauke	014-030	502,840	512,840	69,283	264,984	334,267	178,573	-	-	512,840	512,840	178,573
16/17 Murphy	015-036	436,120	436,120	84,342	429,668	514,010	(77,890)	-	-	436,120	436,120	(77,890)
17/18 Setauket	001-038	668,500	508,500	7,378	39,245	46,623	461,877	-	-	508,500	508,500	461,877
17/18 Nassakeag	002-032	500,000	525,000	4,237	36,395	40,632	484,368	-	-	525,000	525,000	484,368
17/18 Arrowhead	007-031	500,000	421,000	4,237	132,550	136,787	284,213	-	-	421,000	421,000	284,213
17/18 Gelinas	008-040	1,770,000	1,984,000	798,833	1,160,403	1,959,236	24,764	-	-	1,984,000	1,984,000	24,764
17/18 Minnesauke	014-031	475,000	475,000	4,237	45,736	49,973	425,027	-	-	475,000	475,000	425,027
18/19 Setauket	001-039	25,000	25,000	-	8,653	8,653	16,347	-	-	25,000	25,000	16,347
18/19 Nassakeag	002-033	900,000	900,000	-	31,515	31,515	868,485	-	-	900,000	900,000	868,485
18/19 Gelinas Bus loop	008-041	1,467,300	1,467,300	-	602,533	602,533	864,767	-	-	1,467,300	1,467,300	864,767
18/19 Gelinas Bleacher	008-042	180,000	180,000	-	26,326	26,326	153,674	-	-	180,000	180,000	153,674
18/19 Ward Melville Int Alt	009-044	864,700	864,700	-	643,512	643,512	221,188	-	-	864,700	864,700	221,188
18/19 Ward Melville Faculty Bath	009-045	545,000	545,000	-	18,232	18,232	526,768	-	-	545,000	545,000	526,768
18/19 Murphy	015-037	818,000	818,000	-	57,202	57,202	760,798	-	-	818,000	818,000	760,798
2019 Energy Performance Contract		7,707,518	7,707,518	-	-	-	7,707,518	7,707,518	-	-	7,707,518	7,707,518
Smart Schools Bond Act		3,395,850	3,395,850	550,110	344,989	895,099	2,500,751	-	896,531	-	896,531	1,432
Transfer of surplus funds back to general fund (006-030, 009-042))		84,903	84,903	-	84,903	84,903	-	-	-	84,903	84,903	-
TOTAL		$ 53,890,557	82,439,368	59,293,485	6,665,032	65,958,517	16,480,851	61,862,518	896,531	17,181,000	79,940,049	13,981,532

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019

Capital assets, net		$170,500,052
Deduct:		
Short-term portion of bonds payable	$9,465,000	
Long-term portion of bonds payable	86,910,000	
Short-term portion of energy performance debt	1,632,813	
Long-term portion of energy performance debt	16,251,846	
Less: Unspent debt proceeds	(7,707,518)	
Gain on defeasance	2,559,101	109,111,242
Net Investment in capital assets		$61,388,810

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2019

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' 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

The Board of Education
Three Village Central School District

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 aggregate remaining fund information of Three Village Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to the District's basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2019

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Three Village Central School District

Report on Compliance for Each Major Federal Program

We have audited Three Village Central School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2019

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Program Expenditures	Expenditures by CFDA Number	Expenditures to Subrecipients
U.S. Department of Education					
Passed-through NYS Education Department:					
Special Education Grants to States (IDEA, Part B)	84.027	0032-18-0878	($6,052)		
Special Education Grants to States (IDEA, Part B)	84.027	0032-19-0878	1,358,247	$1,352,195	-
Special Education Preschool Grants (IDEA Preschool)	84.173	0033-18-0878	(641)		
Special Education Preschool Grants (IDEA Preschool)	84.173	0033-19-0878	54,958	54,317	-
Total Special Education Cluster			1,406,512		
Title I Grants to Local Educational Agencies	84.010	0021-18-2960	20,158		
Title I Grants to Local Educational Agencies	84.010	0021-19-2960	177,496	197,654	-
English Language Acquisition Grants	83.365	0149-18-2960	4,979		
English Language Acquisition Grants	84.365	0149-19-2960	1,192	6,171	-
Supporting Effective Instruction State Grants	84.367	0147-18-2960	14,346		
Supporting Effective Instruction State Grants	84.367	0147-19-2960	116,204	130,550	-
Student Support and Academic Enrichment Grants	84.424	0204-19-2960	13,634	13,634	-
Total U.S Department of Education				1,754,521	-
U.S. Department of Agriculture					
Passed-through NYS Education Department:					
National School Lunch Program (cash assistance)	10.555	N/A	315,177		
National School Lunch Program (non-cash food distribution)	10.555	N/A	173,320	488,497	-
School Breakfast Program (cash assistance)	10.553	N/A	12,875	12,875	-
Total Child Nutrition Cluster			501,372		
Total U.S. Department of Agriculture				501,372	-
Total Federal Awards Expended				$2,255,893	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2019

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which are described in note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of the Uniform Guidance.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District does not use the 10% de minimis election.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

(2) Subrecipients

No amounts were provided to subrecipients.

(3) Nonmonetary Federal Program

The District is the recipient of a federal award program (CFDA No. 10.555) that does not result in cash receipts or disbursements termed a "nonmonetary program." During the year ended June 30, 2019, the District used $173,320 worth of food commodities as reported in the schedule of expenditures of federal awards.

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	____ Yes __x__ No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes __x__ None reported
3. Noncompliance material to financial statements noted?	____ Yes __x__ No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	____ Yes __x__ No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes __x__ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)?	____ Yes __x__ No
7. The District's major program audited was:	

Name of Federal Programs	CFDA Number
Child Nutrition Cluster	10.553/10.555

8. Dollar threshold used to distinguish between Type A and Type B programs.	$750,000
9. Auditee qualified as low-risk auditee?	__x__ Yes ____ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding and questioned costs.

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Status of Prior Year Audit Findings

Year ended June 30, 2019

There were no audit findings in the prior year financial statements (June 30, 2018).

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

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

March 18, 2020

The Board of Education of
Three Village Central School District of Brookhaven and Smithtown, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Three Village Central School District of Brookhaven and Smithtown (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 $6,010,000 School District Refunding Serial Bonds-2020 (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 the Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule.

"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 Three Village Central School District of Brookhaven and Smithtown, 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 February 26, 2020.

"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 **$6,010,000 School District Refunding Serial Bonds-2020**, dated March 18, 2020, maturing in various principal amounts on June 1 in each of the years 2020 to 2024, 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, 2020, 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;

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

(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

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

(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

DEMOGRAHIC 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 **March 18, 2020**.

THREE VILLAGE CENTRAL SCHOOL DISTRICT OF BROOKHAVEN AND SMITHTOWN

By____

President of the Board of Education
and Chief Fiscal Officer