PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 11, 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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the "District")

$20,600,000* 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 are not subject to redemption, prior to maturity. (See "*Optional Redemption*" under "*THE BONDS*," herein).

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 "Description of *Book-Entry-Only System*" under "*THE BONDS*," herein.)

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on September 22, 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 October 14, 2020 in New York, New York.

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

September , 2020

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*Preliminary, subject to change.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$20,600,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: **September 15, 2021-2027, inclusive**
Interest Due: **March 15, 2021, September 15, 2021 and semiannually thereafter on March 15 and September 15 in each year until maturity.**

Amount**	Maturity	Rate	Price or Yield	CUSIP #
$ 2,680,000	September 15, 2021			
2,805,000	September 15, 2022			
2,940,000	September 15, 2023			
3,075,000	September 15, 2024			
3,215,000	September 15, 2025			
2,885,000	September 15, 2026			
3,000,000	September 15, 2027			

*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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

241 South Ocean Avenue
Patchogue, New York 11772
Telephone: (631) 687-6300

BOARD OF EDUCATION

Kelli Anne Jennings, President
Teresa Baldinucci-Greenberg, First Vice President
Marc A. Negrin, Second Vice President

Diana Andrade
Thomas P. Donofrio
Anthony C. O'Brien
Bernadette M. Smith

Superintendent of Schools
Donna Jones

School Business Administrator
Francis Mazzie

District Clerk
Dennis M. Logan

* * *

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.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS - CONTINUED

Page

OFFICIAL STATEMENT

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$20,600,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify.

This Official Statement and appendices hereto presents certain information relating to the Patchogue-Medford Union Free School District, in the County of Suffolk, in the State of New York (the "District", "County" and "State," respectively) in connection with the sale of $20,600,000* 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.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "*RISK FACTORS*" herein.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery, and will mature on September 15 in each of the years 2021 to 2027, inclusive, in the principal amounts as set forth on the inside cover page hereof. Interest on the Bonds will be payable March 15, 2021, September 15, 2021 and semiannually thereafter on March 15 and September 15 in each year until 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.)

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

The District will act as Paying Agent for the Bonds. The District's contact information is as follows: Francis Mazzie, School Business Administrator, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, Phone (631) 687-6329 and email: FMazzie@pmschools.org.

Optional Redemption

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

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*Preliminary, subject to change.

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.

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 August 24, 2020 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the School District Refunding Serial Bonds – 2012 (the "2012 Bonds"), maturing in each of the years 2021 to 2027 and the School District Serial Bonds 2012 Series C, (the "2012C Bonds") maturing in each of the years 2021 to 2025. The Bonds will refund the 2012 Bonds and 2012C Bonds maturing in each of the years 2021 through 2027, inclusive (the "Refunded Bonds").

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

2012 Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
10/01/2021	$ 2,605,000	4.000%	11/13/2020	100.00	703023LR0
10/01/2022	2,705,000	2.750	11/13/2020	100.00	703023LS8
10/01/2023	2,800,000	3.000	11/13/2020	100.00	703023LT6
10/01/2024	2,900,000	3.125	11/13/2020	100.00	703023LU3
10/01/2025	3,010,000	3.375	11/13/2020	100.00	703023LV1
10/01/2026	3,125,000	3.500	11/13/2020	100.00	703023LW9
10/01/2027	3,235,000	3.625	11/13/2020	100.00	703023LX7

2012C Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
09/15/2021	$ 420,000	2.000%	11/13/2020	100.00	703023NB3
09/15/2022	430,000	2.250	11/13/2020	100.00	703023NC1
09/15/2023	445,000	2.375	11/13/2020	100.00	703023ND9
09/15/2024	455,000	2.500	11/13/2020	100.00	703023NE7
09/15/2025	470,000	2.500	11/13/2020	100.00	703023NF4

a. Preliminary, subject to change.

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.

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 National Association, 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.)

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.

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. <u>While this Local Finance Law provision does not apply to school districts</u>, 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 with an estimated population of 52,967, is located in the southwestern section of the Town of Brookhaven (the "Town") and includes all of the incorporated Village of Patchogue (the "Village") and the unincorporated areas of Medford and a portion of East Patchogue. The Village and the territory immediately surrounding the Village is generally residential with some commercial and industrial activity.

The Village has an extensive shopping district along Main Street. The recently renovated Patchogue Theater for the Performing Arts has led a renaissance in the development of "downtown" eateries, shops, and entertainment venues.

St. Joseph's College's 27 acre Long Island campus is located within the boundaries of the District.

The District fronts the Great South Bay, a boating and fishing area, and recreational facilities are available to the residents of the area. A number of Town parks are located in the area as well. The U.S. Department of the Interior, National Park Service Headquarters (the "Headquarters") for the Fire Island National Seashore is located in the District with a ferry terminal, parking and other facilities on the Patchogue River. The Headquarters provides ferry service across Great South Bay to various points located within the National Seashore Area, including Watch Hill and Sunken Forest.

There has been commercial building in the area in recent years. Along New York Route 27 (Sunrise Highway) are the Sun Wave Shopping Center and the Home Depot Warehouse, as well as various other commercial enterprises. Commercial expansion has also taken place along Route 112.

The Town owns and leases to the U.S. Department of Treasury a five-building complex, adjoining the District, which houses the Internal Revenue Service Data Processing Center. The facility was completed in 1972 and provides employment for 3,000 to 4,000 people, some on a part-time basis. The seat of government of the Town is also located in the District and provides full-time employment to approximately 850 persons.

The Long Island Rail Road (MTA) (Montauk Division) serves the area providing rail transportation to the New York metropolitan area. The Long Island Expressway, New York Routes 27 and 27A traverse the District and provides highway access to eastern Long Island and the New York metropolitan area. Major north-south roads include Route 112, North Ocean Avenue and Patchogue-Holbrook Road. Long Island MacArthur Airport is located approximately 10 miles west of the District.

Police protection is provided by the Suffolk County Police Department. The Village provides fire protections for residents within its borders. The Village also maintains a sewer system. In the unincorporated areas, volunteer fire departments operating through fire districts provide fire protection. Electricity, gas and telephone services are provided by private utility companies.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and 1st and 2nd Vice Presidents, and appoints a District Clerk and District Treasurer.

Enrollment History

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

School Year	School Enrollment
2016	7,655
2017	7,664
2018	7,540
2019	7,498
2020	7,427

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2021	7,400
2022	7,400

Source: District Officials.

District Facilities

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

Name of School	Grades	Capacity
Senior High School	9-12	3,100
Saxton St. Middle School	6-8	1,622
Oregon Ave. Middle School	6-8	1,026
So. Ocean Ave. Middle School	6-8	1,319
Bay Avenue	K-5	593
Medford Avenue	K-5	800
River Avenue	K-5	600
Barton Avenue	K-5	950
Tremont Avenue	K-5	912
Canaan School	K-5	809
Eagle Drive	K-5	1,146

Employees

The District provides services through approximately 1,444 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract	Approx. No. of Members
Patchogue-Medford Congress of Teachers	06/30/2021	627
Civil Service Employees Association (Full Time)	06/30/2023	101
Civil Service Employees Association-Operations Staff	06/30/2023	114
Civil Service Employees Association (Part Time)	06/30/2023	517
Patchogue-Medford Administrators Association	06/30/2021	38
Patchogue-Medford Registered Nurses Association	06/30/2022	14
Teaching Assistants	06/30/2021	33

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

Year	Town of Brookhaven	Suffolk County	State of New York
2006	485,295	1,495,697	19,306,183
2008	483,748	1,508,602	19,428,881
2009	487,169	1,511,028	19,423,896
2010	480,105	1,482,548	19,378,102
2018	482,426	1,481,093	19,542,209

Source: U.S. Bureau of the Census.

Income Data

Income data is not available for the District as such. The information set forth below with respect to such Town of Brookhaven, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the Town, County or State or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2018[a]
Town of Brookhaven	$16,726	$24,191	$33,324	$39,827
Suffolk County	18,481	26,577	35,755	43,905
New York State	16,501	23,389	30,948	38,884

	Median Household Income			
	1990	2000	2010	2018[a]
Town of Brookhaven	$46,339	$62,475	$81,937	$ 96,861
Suffolk County	49,128	65,288	84,506	100,468
New York State	32,965	43,393	55,603	67,844

Source: United States Bureau of the Census
a. Note: Based on American Community Survey 1-Year Estimates (2018)

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

Name	Type of Business	Estimated Number of Employees
State University at Stony Brook	Education	14,500
Stony Brook University Medical Center	Medical Center	6,500
Brookhaven National Laboratory	Laboratory	2,790
John T. Mather Hospital	Hospital	2,500
Sachem Central School District	Education	2,275
Brookhaven Memorial Hospital	Hospital	2,210
Three Village Central School District	Education	1,500
William Floyd Union Free School District	Education	1,285
St. Charles Hospital	Hospital	1,775
Quality King Distributors	Commercial	900
Nursing Care at Medford	Nursing Home	580

Source: Town Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The information set forth below with respect to such Town, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this 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 (%)
2015	5.5	4.8	5.3
2016	4.4	4.3	4.8
2017	4.5	4.5	4.7
2018	3.9	3.9	4.1
2019	3.7	3.7	4.0
2020 (6 Month Average)	8.8	9.0	9.5

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 Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. Except on rare occasions the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement. Due to an Executive Order of the Governor of the State of New York, estoppel periods have been tolled effective as of March 20, 2020, which has prevented the District from complying with the estoppel procedure with respect to the refunding bond resolution.

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 September 11, 2020)

In Town of:	Assessed Valuation	State Equalization Rate	Full Valuation
Brookhaven (2019-2020)[a]	$43,158,887	0.79%	$5,463,150,253
Debt Limit - 10% of Full Valuation			$546,315,025
Inclusions:[b]			
Outstanding Bonds			$65,260,000
Bond Anticipation Notes			
Total Indebtedness			65,260,000
Exclusions (Estimated Building Aid) [c]			31,977,400
Total Net Indebtedness Before the Issuance of the Bonds			33,282,600
Net Debt Contracting Margin			$513,032,425
Per Cent of Debt Contracting Margin Exhausted			6.09%

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 the Official Statement, the District has no short-term debt outstanding. The District is currently issuing tax anticipation notes in the amount of $44,000,000 expected to close on September 22, 2020.

Trend of Outstanding Indebtedness
As at June 30:

	2016	2017	2018	2019	2020
Bonds	$ 98,050,000	$ 90,405,000	$ 83,240,000	$ 75,780,000	$ 67,990,000
BANs	-	-	-	-	-
Other	10,136,693	9,523,523	8,894,864	8,250,600	7,590,064
Totals:	$ 108,186,693	$ 99,928,523	$ 92,134,864	$ 84,030,600	$ 75,580,064

Source: Audited Financial Statements of the District.

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2021	$8,160,000	$2,252,913	$10,412,913
2022	8,115,000	1,878,338	9,993,338
2023	8,490,000	1,539,231	10,029,231
2024	8,845,000	1,225,641	10,070,641
2025	9,175,000	926,544	10,101,544
2026	9,500,000	646,238	10,146,238
2027	9,340,000	359,081	9,699,081
2028	6,365,000	105,584	6,470,584
Totals:	$67,990,000	$8,933,569	$76,923,569

a. Does not include payments made to date.

Debt Service Requirement - Energy Performance Contract Lease

The District entered into a lease purchase financing in 2014 to provide funding for an Energy Performance Contract. The remaining principal and interest payments until maturity are set forth below.

Fiscal Year Ending June 30:	Principal	Interest	Total
2021	$677,126	$185,236	$862,361
2022	694,131	168,230	862,361
2023	711,563	150,798	862,361
2024	729,433	132,928	862,361
2025	747,752	114,609	862,361
2026	766,531	95,830	862,361
2027	785,782	76,579	862,361
2028	805,516	56,845	862,361
2029	825,746	36,616	862,361
2030	846,483	15,878	862,361
Totals:	$7,590,064	$1,033,548	$8,623,612

Source: Audited Financial Statements

Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2016	$30,000,000	TAN	10/07/2015	06/24/2016
2017	30,000,000	TAN	09/22/2016	06/23/2017
2018	32,500,000	TAN	09/28/2017	06/22/2018
2019	34,000,000	TAN	09/27/2018	06/25/2019
2020	37,000,000	TAN	09/20/2019	06/25/2020

Source: Audited Financial Statements of the District.

Authorized and Unissued Debt

The District has no authorized but unissued debt outstanding.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	03/26/2020	1.80	$35,415,240	$24,177,390
Town of Brookhaven	06/26/2020	9.60	54,195,715	52,695,360
Village of Patchogue	08/14/2020	100.00	7,000,000	6,875,000
Medford Fire District	12/31/2018	100.00	550,000	550,000
North Patchogue Fire Districts	12/31/2018	90.00	773,741	773,741
Totals			$97,934,696	$85,071,491

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

Debt Ratios
(As of September 11, 2020)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$ 65,260,000	$1,232	1.195
Net Direct Debt	33,282,600	628	0.609
Total Direct & Applicable Total Overlapping Debt	163,194,696	3,081	2.987
Net Direct & Applicable Net Overlapping Debt	118,354,091	2,234	2.166

a. The current population of the District is 52,967.

b. The full valuation of taxable property is $5,463,150,253.

FINANCES OF THE DISTRICT

Impact of COVID-19

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel and for cleaning supplies and equipment, the aggregate cost of which total approximately $500,000. The District has paid such costs from budgetary appropriations and/or available funds. The District's State Aid for the 2019-2020 school year has been reduced and the District also expects a reduction of up to 20% in State aid during the 2020-2021 fiscal year. In the District 2020-2021 Adopted Budget, State aid revenues are estimated to be approximately 20% less than the prior year. The District does not believe that the increased costs or the potential reductions in State aid described above will have a material adverse impact on the finances of the District. See also "State Aid" herein.

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 and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

On June 9, 2020, a majority of the voters of the District approved the District's budget for the 2020-2021 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2019-2020 and 2020-2021 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 and 2021 fiscal years.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2015	$166,107,343	$61,993,402	37.32
2016	170,925,550	63,905,737	37.39
2017	177,753,666	68,318,802	38.43
2018	184,334,565	70,678,094	38.34
2019	189,466,494	71,800,564	37.90
2020 (Budgeted)	195,640,699	74,551,274	38.11
2021 (Budgeted)	195,172,581	70,514,915	36.13

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

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. Due the outbreak of COVID-19 the State has declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or 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, including the District.

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation … and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

On August 13, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a $14.5 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of $62 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See also "*Impacts of COVID-19*", "*Risk Factors*" and "*Event Affecting New York School Districts*" herein).

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 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 general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

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.

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 outbreak has affected and is expected to continue to affect State aid to school district.

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 included 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 have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education continued in full, as is the State's usual practice. Transportation aid increased 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.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

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 $6.0 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 "*Risk Factors*").

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: 10.0%, Environmental Score: 38.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on March 9, 2017. The purpose of the audit was to analyze the District's budget and determine whether the significant revenue and expenditures projected in the proposal 2017-2018 fiscal year are reasonable. The complete report may be found on the State Comptroller's official website. Reference to this website implies no warranty of accuracy of information therein.

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 State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the School District has not yet determined whether it will establish such a fund.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for the 2021 fiscal year.

Fiscal Year Ending June 30:	TRS	ERS
2016	$8,666,777	$2,071,934
2017	7,812,724	2,134,840
2018	6,834,337	2,021,624
2019	7,723,234	1,983,492
2020	6,659,735	2,151,971
2021 (Budgeted)	7,150,030	2,038,102

Source: Audited Financial Statements.

Other Post-Employment Benefits

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

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

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

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

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

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

For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The District's total OPEB liability at June 30, 2019 is as follows:

Total OPEB Liability at June 30, 2018	$323,781,996
Charges for the Year:	
Service Cost	6,975,699
Interest	12,583,133
Differences Between Expected and Actual Experience	10,747,766
Changes in Assumotions or Other Inputs	76,191,714
Changes in Benefit Terms	(1,652,121)
Benefit Payments	(11,331,824)
Net Changes	93,514,367
Total OPEB Liability at June 30, 2019	$417,296,363

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

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

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Brookhaven. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see "*The Tax Levy Limit Law*" herein for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the percentage 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, and for the 2020 budget.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2015	$166,107,343	$100,359,686	60.42
2016	170,925,550	103,010,741	60.27
2017	177,753,666	105,144,769	59.15
2018	184,334,565	108,952,168	59.11
2019	189,466,494	112,532,336	59.39
2020 (Budgeted)[a]	195,640,699	115,864,343	59.22
2021 (Budgeted)[a]	195,172,581	116,159,331	59.52

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 Receivers. 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 Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

As a result of the COVID-19 pandemic, in certain counties in New York State during the 2019-2020 fiscal year, the deadline to pay school district property taxes, without interest or penalty, was extended. No assurance can be given that similar extensions with respect to the deadlines to pay school district property taxes, without interest or penalty, may occur during the 2020 -2021 fiscal year.

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 (such as the Bonds) and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

STAR - School Tax Exemption

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

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

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

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 2019-2020 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 2020-2021 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 2021. (See *"State Aid"* herein).

Valuations, Rates and Levies

The anticipated tax levy for the 2020-2021 year is $.

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2015 through 2020.

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation	Tax Levy
2015	$43,221,376	0.95	$4,549,618,526	$2,329.45	$100,682,131
2016	43,038,303	0.95	4,530,347,684	2,385.55	102,670,210
2017	43,460,186	0.91	4,775,844,615	2,419.02	105,131,048
2018	42,946,515	0.90	4,771,835,000	2,521.01	108,920,314
2019	42,898,624	0.86	4,988,212,093	2,615.63	112,318,127
2020	43,158,887	0.79	5,463,150,253	2,677.32	111,953,705

Source: Tax Rate Sheets for the Town of Brookhaven.

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

Name	Type	Assessed Valuation
PSEG Long Island	Utility	$ 665,267
Verizon	Utility	362,455
Heatherwood House at Patchogue LLC	Apartments	265,800
KeySpan	Utility	251,557
Avery Village Association	Apartments	236,300
Lakeside Village Assoc LLC	Apartments	203,550
Fairharbor Owners Inc.	Apartments	200,000
Feldman-Medford Dev LLC	Commercial	180,800
FES Realty CO LLC	Apartments	156,000
Gould Patchogue LLC	Commercial	153,100
	Total[a]	$2,674,829

Source: Suffolk County Assessor's Office.

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.

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.

RISKS FACTORS

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. Accordingly, a decline in the District's credit rating could adversely affect the market value of the Bonds.

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

The financial condition of the District as well as the market for the Bond could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District relies in part on State aid to fund its operations. 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 District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Recent Events Affecting State Aid to New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*Impact of COVID-19*", "*State Aid*" and "*Recent Events Affecting State Aid to New York School Districts*" herein).

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the 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 Bonds 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 Provide 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	10/07/2015	10/07/2015
2016	11/16/2016	11/16/2016
2017	11/01/2017	11/01/2017
2018	12/04/2018	10/22/2018
2019	11/21/2019	10/22/2019

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. The rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

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 Francis Mazzie, School Business Administrator, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, Phone (631) 687-6329 and email: FMazzie@pmschools.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.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District's documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

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 Bonds.

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 KELLI ANNE JENNINGS
President of the Board of Education
Patchogue-Medford Union Free School District
Patchogue, New York

September , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2015	2016	2017	2018	2019
Revenues:					
Real Property Taxes	$ 86,544,419	$ 88,706,729	$ 91,020,112	$ 94,995,407	$ 98,727,845
Other Real Property Tax Items	13,815,267	14,304,012	14,124,657	13,956,761	13,804,491
Charges for Services	1,825,190	1,742,829	1,757,924	1,835,165	1,826,041
Use of Money and Property	392,700	390,775	369,655	458,980	986,272
Sale of Property and Compensation for Loss	125,838	61,420	226,954	296,297	174,700
Miscellaneous	1,140,412	1,461,786	1,295,678	1,660,383	1,409,442
Interfund Revenues		43,668	43,740	43,526	43,092
Local Sources	53,451				
State Sources	61,993,402	63,905,737	68,318,802	70,678,094	71,800,564
Federal Sources	216,664	308,594	596,144	409,952	694,047
Total Revenues	166,107,343	170,925,550	177,753,666	184,334,565	189,466,494
Expenditures:					
General Support	17,175,140	17,224,161	18,952,094	18,351,562	18,868,276
Instruction	89,100,430	90,542,878	94,276,001	97,080,511	99,485,413
Pupil Transportation	7,621,657	8,152,286	8,224,562	8,786,511	8,543,105
Community Services	729,451	879,500	847,844	1,219,185	1,519,871
Employee Benefits	41,985,616	39,253,982	40,790,230	41,857,078	44,070,455
Debt Service	51,523	71,562	206,750	249,814	517,931
Total Expenditures	156,663,817	156,124,369	163,297,481	167,544,661	173,005,051
Excess (Deficit) of Revenues Over Expenditures	9,443,526	14,801,181	14,456,185	16,789,904	16,461,443
Other Financing Sources (Uses)					
Interfund Transfers In	422	-	-	-	-
Interfund Transfers Out	(11,335,155)	(12,382,016)	(17,922,661)	(12,976,045)	(21,194,142)
Total Other Financing Sources (Uses)	(11,334,733)	(12,382,016)	(17,922,661)	(12,976,045)	(21,194,142)
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(1,891,207)	2,419,165	(3,466,476)	3,813,859	(4,732,699)
Fund Balance - Beg. of Year	22,974,916	21,083,709	26,069,277	22,602,801	26,416,660
Adjustments		2,566,403			
Fund Balance - End of Year	$ 21,083,709	$ 26,069,277	$ 22,602,801	$ 26,416,660	$ 21,683,961

Source: Audited Financial Statements (2015-2019)
NOTE: This table NOT audited

Comparative Balance Sheet
General Fund

	Fiscal Year Ending June 30:		
	2017	2018	2019
Assets:			
Cash	$ 27,962,355	$ 30,051,649	$ 27,268,251
Accounts Receivable	73,008	259,575	165,090
State and Federal Receivables	5,150,755	5,236,788	5,169,032
Due From Other Funds	5,201,081	5,595,289	5,104,903
Due From Other Governments	196,683	236,679	400,803
Total Assets	$ 38,583,882	$ 41,379,980	$ 38,108,079
Liabilities & Deferred Revenue:			
Accounts Payable	$ 1,520,013	$ 1,527,301	$ 1,608,872
Accrued Liabilities	659,059	701,651	1,535,744
Due to Other Governments	4,177,653	3,962,995	3,785,183
Due to Other Funds	156,004	22	
Due to Teachers Retirment System	8,159,450	7,251,187	8,202,537
Due to Employees' Retirement Systems	561,423	559,395	482,656
Collections in Advance	182,741	223,925	220,195
Deferred Revenue	63,284	63,284	63,284
Compensated Absences Payable	501,454	673,560	525,647
Total Liabilities & Deferred Revenue	$ 15,981,081	$ 14,963,320	$ 16,424,118
Fund Balance:			
Nonspendable	$	$	$
Restricted	14,730,326	19,404,086	15,247,600
Assigned	573,430	293,532	46,045
Unassigned	7,299,045	6,719,042	6,390,316
Total Fund Balance	$ 22,602,801	$ 26,416,660	$ 21,683,961
Total Liabilities and Fund Equity	$ 38,583,882	$ 41,379,980	$ 38,108,079

Source: Audited Financial Statements

NOTE: This table NOT audited

Budget Summaries
General Fund

	2018-2019 (1)	2019-2020 (2)
Real Property Taxes (Includes PILOT)	$ 112,591,337	$ 115,864,343
State and Federal Aid	74,351,274	74,551,274
Miscellaneous	3,524,705	5,225,082
Appropriated Fund Balance		
Total Revenues	$ 190,467,316	$ 195,640,699
Expenditures:		
General Support	$ 25,805,627	$ 25,805,627
Instruction	93,855,610	97,908,180
Pupil Transportation	9,440,975	9,260,034
Community Services	1,666,117	1,950,541
Employee Benefits	45,281,890	45,397,140
Interfund Transfers	14,128,842	14,722,350
Debt Service	288,255	596,827
Total Expenditures	$ 190,467,316	$ 195,640,699

(1) The 2018-19 budget was approved by the voters of the District on May 15,
(2) The 2019-20 budget was approved by the voters of the District on May 21,

Source: Adopted Budgets of the District

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Patchogue-Medford Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Patchogue-Medford Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Patchogue-Medford Union Free School District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Patchogue-Medford Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates 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 financial information is 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 7, 2019 on our consideration of the Patchogue-Medford Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Patchogue-Medford Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Patchogue-Medford Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 7, 2019

Exhibit 1

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The following is a discussion and analysis of the Patchogue-Medford Union Free 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.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District continues to maintain a balanced budget.
- Real property taxes and other tax items and state sources accounted for 92.86% of the 2018/2019 district-wide revenues, 56.69% and 36.17% respectively. In 2017/2018, property taxes and other tax items and state sources represented approximately 92.53% of district-wide revenues 56.12% and 36.41% respectively.
- During the summer of 2019, the District used funds from the 2017/2018 interfund transfer to the capital projects fund to finance ADA renovations district-wide. The District also used funds from the 2018/2019 interfund transfer to the capital projects fund to implement the playground renovation plan.
- During the summer of 2019, the District used funds from the 2018 Capital Reserve as approved by the voters on October 16, 2018 to be used to replace the tracks at the Oregon and Saxton Middle Schools; supplement the playground renovation plan; install a dust collection system at the High School; supplement the ADA renovations district-wide; supplement the construction of a new greenhouse at the High School; alter the parking loop area at Medford Elementary; and construct a security vestibule at Canaan Elementary School.
- On May 21, 2019 the voters of the District approved the use of up to $2,500,000 of funds deposited into the 2018 Capital Reserve Fund during the 2018/2019 fiscal year towards the following projects; window replacement at Oregon Middle School; fire alarm upgrade at the High School; gym floor replacement at Medford Elementary School; electrical upgrades at South Ocean Middle School, and terrazzo repairs at the High School.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

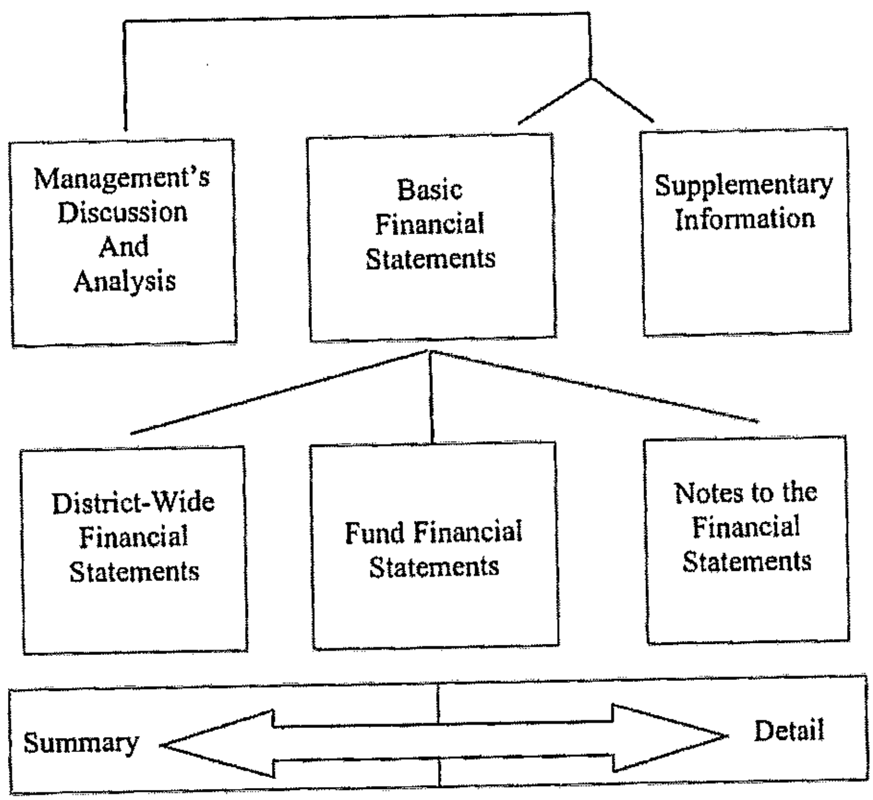
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

- 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 Financial 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 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



PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (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 or 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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

A) District-Wide 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 it has 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 is 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 differ 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 Financial 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* is that 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; and
  - *Unrestricted net position* is net position that does 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:

- *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 schedules explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

- *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 position and changes in net position, and is developed using the economic resources measurement focus and the accrual basis of accounting.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's net position (deficit) increased by $6,476,973 in the fiscal year ended June 30, 2019 as detailed in Table A-3.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$ 50,320,310	$ 46,470,716	$ 3,849,594	8.28%
Capital assets, net	117,879,117	120,398,557	(2,519,440)	(2.09%)
Net pension asset, proportionate share	7,741,782	3,197,468	4,544,314	142.12%
Total Assets	175,941,209	170,066,741	5,874,468	3.45%
Deferred outflows of resources	120,066,049	47,592,026	72,474,023	152.28%
Total Assets and Deferred Outflows of Resources	296,007,258	217,658,767	78,348,491	36.00%
Other liabilities	18,736,903	16,978,656	1,758,247	10.36%
Long-term liabilities	516,610,844	428,911,578	87,699,266	20.45%
Total Liabilities	535,347,747	445,890,234	89,457,513	20.06%
Deferred inflows of resources	25,614,099	30,246,148	(4,632,049)	(15.31%)
Total liabilities and deferred inflows of resources	560,961,846	476,136,382	84,825,464	17.82%
Net Position				
Net investment in capital assets	31,798,116	25,938,362	5,859,754	22.59%
Restricted	21,636,512	21,323,356	313,156	1.47%
Unrestricted (deficit)	(318,389,216)	(305,739,333)	(12,649,883)	4.14%
Total net position (deficit)	$ (264,954,588)	$ (258,477,615)	$ (6,476,973)	2.51%

Current assets and other assets increase by $3,849,594. This was primarily due to an increase in cash, net of a decrease in the amount of state and federal aid receivable. Capital assets (net of depreciation) decreased by $2,519,440. This was primarily attributable to current year depreciation expense, offset by the purchase of a bus and other equipment items, and building improvements. The District reported a net pension asset - proportionate share for the teachers' retirement system in the amount of $7,741,782 as a result of the actuarial valuation provided by the state. The change in deferred outflows of resources represents amortization of the loss on defeasance, amortization on pension related items, as well as an increase in deferred outflows of resources for other post-employment benefits.

Other liabilities increased by $1,758,247. This was primarily attributable to an increase in accrued liabilities as well as an increase in the amount due to teachers' retirement system. Long-term liabilities increased by $87,699,266 primarily due to an increase in the total other post-employment benefits obligation, as well as an increase in the net pension liability – proportionate share, net of a decrease in bonds payable. The changes in deferred inflows of resources represent the addition of deferred inflows of resources related to the other post-employment benefit obligation as well as the amortization of pension related items and the gain on defeasance, as discussed in Notes 15 and 17.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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. This number increased from the prior year by $5,859,754 primarily due to the reduction in the principal balance of related debt and District Wide capital improvements, net of current year depreciation expense.

The restricted net position in the amount of $21,636,512 is comprised of amounts with constraints placed on the use externally imposed by creditors, grantors and contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. See page 13 of this MD&A and Note 1 to Financial Statements for further descriptions and detailed balances.

The unrestricted net position (deficit) of ($318,389,216) relates to the balance of the District's net position. The unrestricted net position (deficit) increased by $12,649,883 from the prior year and represents the amount by which the District's liabilities excluding debt related to capital construction and its deferred inflows of resources exceeded assets other than capital assets and its deferred outflows of resources.

Overall, the net position (deficit) increased by $6,476,973.

B) <u>Changes in Net Position</u>:

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position-Governmental 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:

Exhibit 1

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	$2,832,430	$2,809,870	$22,560	0.80%
Operating grants	8,065,995	8,613,089	(547,094)	(6.35%)
Capital grants	-	193,689	(193,689)	(100.00%)
General Revenues				
Real property taxes and other tax items	112,532,336	108,952,168	3,580,168	3.29%
State sources	71,800,564	70,678,094	1,122,470	1.59%
Medicaid reimbursement	694,047	409,952	284,095	69.30%
Use of money & property	988,737	769,844	218,893	28.43%
Other	1,592,354	1,679,933	(87,579)	(5.21%)
Total Revenues	198,506,463	194,106,639	4,399,824	2.27%
Expenses				
General support	26,301,084	24,270,917	2,030,167	8.36%
Instruction	160,734,913	151,982,138	8,752,775	5.76%
Pupil transportation	9,346,629	9,563,948	(217,319)	(2.27%)
Community services	2,107,338	1,760,415	346,923	19.71%
Debt service - interest	3,261,012	3,299,035	(38,023)	(1.15%)
Food service program	3,232,460	3,330,782	(98,322)	(2.95%)
Total Expenses	204,983,436	194,207,235	10,776,201	5.55%
Increase (Decrease) in Net Position	($6,476,973)	($100,596)	($6,376,377)	6338.60%

The District's fiscal year 2019 revenues totaled $198,506,463 (See Table A-4). Real property taxes and other tax items, and state sources accounted for most of the District's revenue by contributing 56.69% and 36.17%, respectively of total revenue (See Table A-5). The remainder resulted from fees charged for services, operating grants, use of money and property, and other miscellaneous sources. Total revenues increased by $4,399,824 or 2.27%. This was primarily attributable to an increase in real property taxes and other tax items and state sources.

The cost of all programs and services totaled $204,983,436 for fiscal year 2019. These expenses are predominantly related to general instruction and transporting students, which account for 82.97% of district expenses (See Table A-6). The District's general support activities accounted for 12.83% of total costs. Total expenses increased by $10,776,201 or 5.55%. This was primarily attributable to an increase in general support and instruction.

The users of the District's programs financed $2,832,430 of the cost. The federal and state governments subsidized certain programs with grants and contributions of $8,065,995 which represents a 6.35% decrease from the prior year. Most of the District's net costs of $194,085,011 were financed by District taxpayers and state sources.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

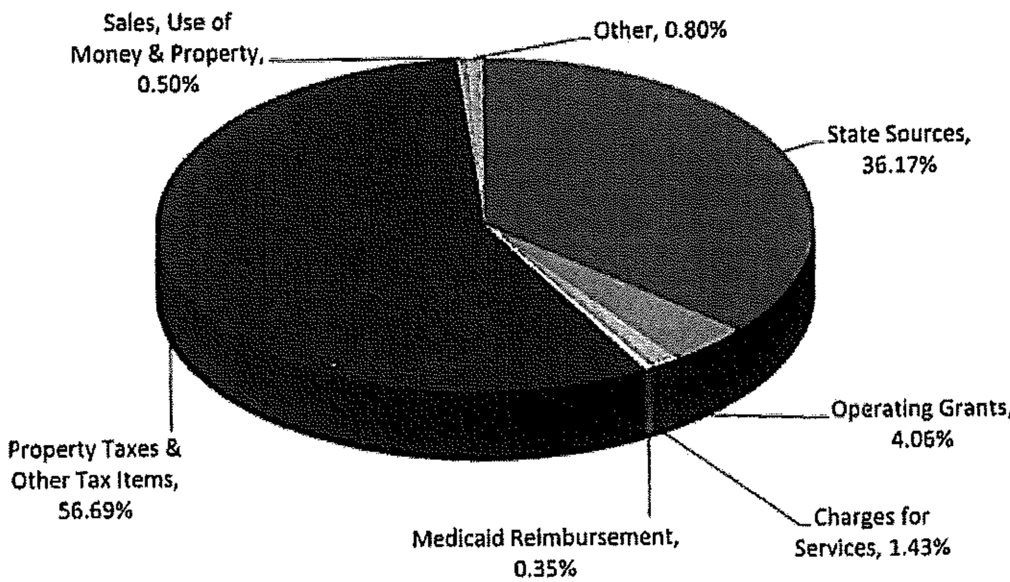
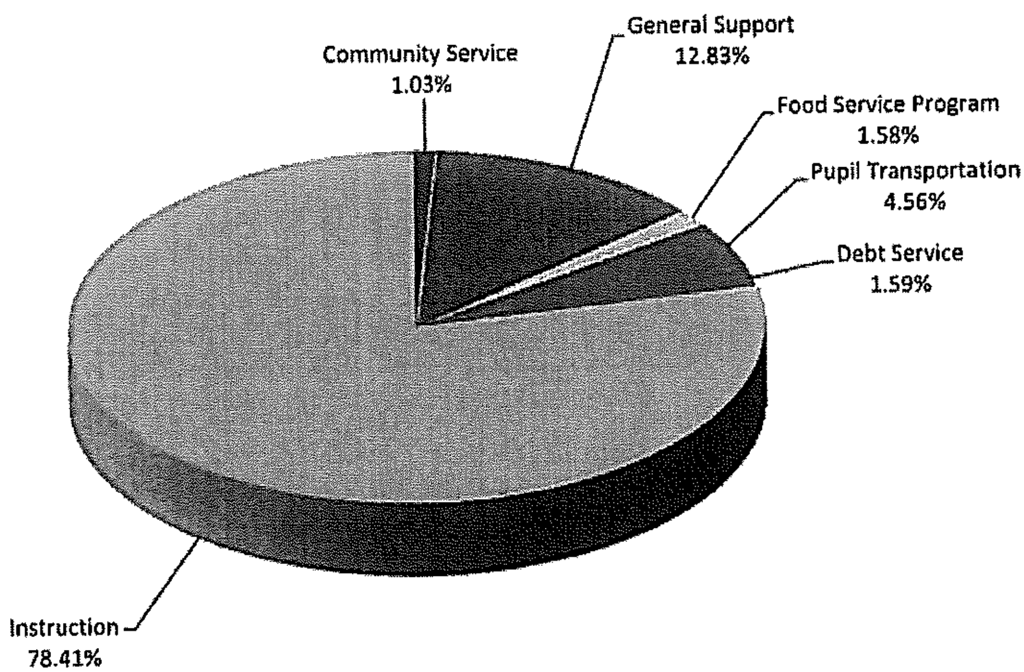


Table A-6: Expenses for Fiscal Year 2019 (See Tables A-4 and A-7)



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

4. 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 basis 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 $32,558,846, which is an increase of $1,987,848 from the prior year. The increase is primarily due to increase in the capital projects fund total fund balance of $6,531,320, net of a decrease in the total fund balance of the general fund. The decrease in the general fund and the increase in the capital projects fund can be attributed to voter approved transfers from the 2018 capital reserve fund in the general fund to the capital projects fund.

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

Exhibit 1

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Employee benefit accrued liability	$9,039,718	$8,848,916	$190,802	2.16%
Retirement contribution	4,839,565	4,737,416	102,149	2.16%
Unemployment insurance	36,422	133,543	(97,121)	(72.73%)
Insurance	208,295	203,898	4,397	2.16%
Workers' compensation	999,294	880,313	118,981	13.52%
Capital	124,306	4,600,000	(4,475,694)	(97.30%)
Assigned				
General support	14,303	227,890	(213,587)	(93.72%)
Instruction	31,742	65,642	(33,900)	(51.64%)
Unassigned	6,390,316	6,719,042	(328,726)	(4.89%)
Total Fund Balance- General Fund	$21,683,961	$26,416,660	($4,732,699)	(17.92%)
School Lunch Fund				
Nonspendable: inventory	$67,774	$78,688	($10,914)	(13.87%)
Assigned	723,792	506,501	217,291	42.90%
Total Fund Balance- School Lunch Fund	$791,566	$585,189	$206,377	35.27%
Debt Service Fund				
Restricted	$9,921	$27,071	($17,150)	(63.35%)
Total Fund Balance- Debt Service Fund	$9,921	$27,071	($17,150)	(63.35%)
Capital Projects Fund				
Restricted	$6,378,991	$1,892,199	$4,486,792	237.12%
Assigned	3,694,407	1,649,879	2,044,528	123.92%
Total Fund Balance - Capital Projects Fund	$10,073,398	$3,542,078	$6,531,320	184.39%
Total Fund Balances - All Funds	$32,558,846	$30,570,998	$1,987,848	6.50%

Changes to fund balances can be attributed to the following:

A) General Fund

The net change in the general fund – fund balance is a decrease of $4,732,699 as a result of expenditures and other financing uses of $194,199,193 exceeding revenues of $189,466,494. Revenues increased $5,131,929 or 2.78% compared to the prior year, mostly due to the increase in real property taxes, and use of money and property.

Expenditures and other financing uses increased $13,678,487 or 7.58% compared to the prior year. This was primarily due to increases in general support, instruction expenses and employee benefits, as well as the increased interfund transfer to the capital projects fund for the appropriation of the capital reserve.

B) School Lunch Fund

The net change in the school lunch fund – fund balance is an increase of $206,377. This increase is the operating profit for the current year and an interfund transfer from the general fund.

C) Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of $17,150. This decrease is attributable to the planned use of fund balance to offset debt service expenditures.

D) Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $6,531,320. This increase was due to an excess of other financing sources over expenditures. The capital projects fund received $2,450,000 in budgetary transfers from the general fund, $7,100,000 in general fund transfers from the capital reserve, as approved by the voters. The capital projects fund had $3,016,295 in capital outlay expenditures, and returned $2,385 in unused funds back to the debt service fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2018-2019 Budget:

The District's general fund original budget for the year ended June 30, 2019 was $190,467,316. This amount was increased by encumbrances carried forward from the prior year in the amount of $293,532, and voter authorized budget revisions totaling $7,100,000 for Capital Reserve projects, which resulted in a final budget of $197,860,848. The majority of the funding was from real property taxes and STAR revenue in the amount of $112,318,127, and state aid in the amount of $73,851,274.

B) Change in the General Fund Unassigned 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 from transfers to reserves and assignments to fund prior 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:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Opening, unassigned fund balance	$6,719,042
Revenues under budget	(1,000,822)
Expenditures and encumbrances under budget	3,615,610
Funding to reserves	(2,500,000)
Interest allocated to reserves	(443,514)
Closing, unassigned fund balance	$6,390,316

The opening unassigned fund balance of $6,719,042 is the June 30, 2018 unassigned fund balance.

The revenues under budget in the amount of $1,000,822 was primarily due to state sources under budget net of interest and miscellaneous revenues over budget.

The expenditures and encumbrances under budget in the amount of $3,615,610 were primarily attributable to the following expenditures: central services, teaching regular school, programs for children with handicapping conditions, transportation and employee benefits (see Supplemental Schedule #1 for detail).

The funding of reserves consisted of $2,500,000 transferred to the 2018 capital reserve. The District also had a budget revision to use $7,100,000 of the capital reserve to transfer to the capital projects fund. This budgeted use of the reserve resulted in no net effect to unassigned fund balance.

Interest of $443,514 was also allocated to the reserves as follows: $124,306 to the 2018 capital reserve, $190,802 to the employee benefit accrued liability reserve, $102,149 to the retirement contribution reserve, $2,879 to the unemployment reserve, $4,397 to the insurance reserve, and $18,981 to the workers' compensation reserve.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the 2019/2020 budget.

The change in fund balance is discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during 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	Fiscal Year 2019	Fiscal Year 2018	Percentage Change
Land	$2,827,925	$2,827,925	0.00%
Land improvements	5,970,838	5,970,838	0.00%
Construction in progress	1,435,409	592,363	142.32%
Buildings & building improvements	188,563,519	186,524,525	1.09%
Furniture & equipment	4,050,057	4,128,341	(1.90%)
Subtotal	202,847,748	200,043,992	1.40%
Less: Accumulated depreciation	84,968,631	79,645,435	6.68%
Total Net Capital Assets	$117,879,117	$120,398,557	(2.09%)

The decrease in capital assets is primarily attributable to current year's depreciation expense, partially offset by amounts spent on the purchase of a bus and other equipment in the general fund, along with the following items from the capital fund; some locker replacements at Saxton and South Ocean Middle Schools, roof replacements at the High School, River Elementary School and South Ocean Middle School.

B) Long-Term Obligation

At June 30, 2019 the District had total long-term debt payable of $84,030,599. The debt was issued for District-wide projects. The decrease in outstanding debt represents principal payments made during the fiscal year. A summary of outstanding debt at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Construction serial bonds payable	$75,780,000	$83,240,000	($7,460,000)
Energy performance debt	8,250,599	8,894,954	(644,355)
Total	$84,030,599	$92,134,954	($8,104,355)

Refer to Footnote 12 for further detail on long-term obligation disclosures.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The District issued $37,000,000 in tax anticipation notes on September 20, 2019, with a stated interest rate of 2.00% maturing on June 25, 2020. In addition, the District received a premium of $209,276 on the note, which resulted in a net interest rate of 1.25956%. The new interest rate received in the prior year was 2.046261%.

B) The general fund budget for the 2019/2020 fiscal year was approved by the voters on May 21, 2019 in the amount of $195,640,699. This is an increase of $5,173,383 or 2.72% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

C) The 2019/2020 fiscal year budget includes an interfund transfer to the capital projects fund of over $3.0 million dollars to address the High School renovations for the Career and Tech Ed program, portable classrooms at Bay Elementary School, and electronic sign at South Ocean Middle School, renovations to the High School weight room, and uninvent replacements at South Ocean Middle School.

D) Included in the 2019-2020 budget are funds totaling more than $950,000 that are specifically earmarked for the development of a community schools plan. Patchogue-Medford intends to use the State Aid allocation to continue to provide social and emotional support services to students and their families. Support services will be provided for students and parents, which will include workshops for students struggling with addictions, connecting families with available resources, monthly forums to assist parents with navigating the Eschool parent portal and much more. The district will be able to provide intensive intervention support services to students in order for them to be afforded optimal opportunities for future success emotionally, socially and academically. In 2019-2020 the District will continue to partner with Stony Brook University to provide a mobile dental service for some students in grades K-2. The District also plans to use a portion of the community schools allocation towards the creation of a wellness center at the High School.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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:

Patchogue-Medford Union Free School District
Dr. Donna Jones, Interim Superintendent of Schools
241 South Ocean Avenue
Patchogue, New York 11772
(631) 687-6380

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Current assets	
Cash	
Unrestricted	$21,137,982
Restricted	21,428,217
Receivables	
State and federal aid	7,098,254
Due from other governments	400,803
Due from fiduciary funds	10,238
Accounts receivable	177,042
Inventories	67,774
Non-current assets	
Capital assets not being depreciated	4,263,334
Capital assets being depreciated, net of accumulated depreciation	113,615,783
Net pension asset - proportionate share - teachers' retirement system	7,741,782
TOTAL ASSETS	175,941,209
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	43,666,463
Other post-employment benefits	76,072,045
Loss on defeasance	327,541
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	296,007,258
LIABILITIES	
Payables	
Accounts payable	$2,677,023
Accrued liabilities	1,689,350
Accrued interest payable	1,038,723
Compensated absences payable	525,647
Due to other governments	3,809,684
Due to teachers' retirement system	8,202,537
Due to employees' retirement system	519,934
Unearned credits	
Collections in advance	274,005
Long-term liabilities	
Due and payable within one year	
Bonds payable	7,790,000
Energy performance debt	660,537
Claims payable	832,052
Compensated absences payable	1,085,345
Due and payable after one year	
Bonds payable	67,990,000
Energy performance debt	7,590,062
Claims payable	1,552,980
Compensated absences payable	8,673,100
Total other post-employment benefits obligation	417,296,363
Net pension liability - proportionate share - employees' retirement system	3,140,406
TOTAL LIABILITIES	535,347,747
DEFERRED INFLOWS OF RESOURCES	
Pensions	11,147,560
Other post-employment benefits	12,088,596
Gain on defeasance	2,377,943
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	560,961,846
NET POSITION	
Net investment in capital assets	31,798,116
Restricted	
Employee benefit accrued liability	9,039,718
Retirement contribution	4,839,565
Unemployment insurance	36,422
Insurance	208,295
Workers' compensation	999,294
Debt service	9,921
Capital	6,503,297
	21,636,512
Unrestricted (deficit)	(318,389,216)
TOTAL NET POSITION (DEFICIT)	($264,954,588)

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS / PROGRAMS				
General support	($26,301,084)		$1,001,628	($25,299,456)
Instruction	(160,734,913)	$1,826,041	4,403,624	(154,505,248)
Pupil transportation	(9,346,629)		324,711	(9,021,918)
Community services	(2,107,338)			(2,107,338)
Debt service - interest	(3,261,012)			(3,261,012)
Food service program	(3,232,460)	1,006,389	2,336,032	109,961
TOTAL FUNCTIONS AND PROGRAMS	($204,983,436)	$2,832,430	$8,065,995	(194,085,011)
GENERAL REVENUES				
Real property taxes				98,727,845
Other tax items - including STAR reimbursement				13,804,491
Use of money and property				988,737
Sale of property and compensation for loss				174,700
Miscellaneous				1,417,654
State sources				71,800,564
Medicaid reimbursement				694,047
TOTAL GENERAL REVENUES				187,608,038
CHANGE IN NET POSITION				(6,476,973)
TOTAL NET POSITION- BEGINNING OF YEAR				(258,477,615)
TOTAL NET POSITION - END OF YEAR				($264,954,588)

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$12,228,946	$9,689	$1,038,633	$3,187,790	$4,672,924	$21,137,982
Restricted	15,039,305			9,921	6,378,991	21,428,217
Receivables						
State and federal aid	5,169,032	1,740,465	188,757			7,098,254
Due from other governments	400,803					400,803
Due from other funds	5,104,903			28,321		5,133,224
Accounts receivables	165,090	3,764	7,268	920		177,042
Inventories			67,774			67,774
TOTAL ASSETS	$38,108,079	$1,753,918	$1,302,432	$3,226,952	$11,051,915	$55,443,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Payables						
Accounts payable	$1,608,872	$73,224	$44,731		$950,196	$2,677,023
Accrued liabilities	1,535,744	12,390	141,216			1,689,350
Due to other governments	3,785,183	24,278	223			3,809,684
Due to other funds		1,621,842	255,792	$3,217,031	28,321	5,122,986
Due to teachers' retirement system	8,202,537					8,202,537
Due to employees' retirement system	482,656		37,278			519,934
Compensated absences	525,647					525,647
Unearned credits						
Collections in advance	220,195	22,184	31,626			274,005
TOTAL LIABILITIES	16,360,834	1,753,918	510,866	3,217,031	978,517	22,821,166
DEFERRED INFLOWS OF RESOURCES						
State aid	63,284					63,284
TOTAL DEFERRED INFLOWS OR RESOURCES	63,284	-	-	-	-	63,284
FUND BALANCES						
Nonspendable: inventory			67,774			67,774
Restricted						
Employee benefit accrued liability	9,039,718					9,039,718
Retirement contribution	4,839,565					4,839,565
Unemployment insurance	36,422					36,422
Insurance	208,295					208,295
Workers' compensation	999,294					999,294
Debt service				9,921		9,921
Capital	124,306				6,378,991	6,503,297
Assigned.						
Unappropriated fund balance	46,045		723,792		3,694,407	4,464,244
Unassigned: fund balance	6,390,316					6,390,316
TOTAL FUND BALANCES	21,683,961	-	791,566	9,921	10,073,398	32,558,846
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$38,108,079	$1,753,918	$1,302,432	$3,226,952	$11,051,915	$55,443,296

See Accompanying Notes to Financial Statements

Exhibit 5

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances		$32,558,846
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 incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position 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	$202,847,748	
Accumulated depreciation	(84,968,631)	117,879,117
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 at year-end for the teachers' retirement system was:		7,741,782
Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to		43,666,463
Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to other post-employment benefits that will be recognized as expenditures in future periods amounted to		76,072,045
Deferred outflows of resources - loss on defeasance on the advanced refunding. The Statement of Net Position will amortize the loss on defeasance on the advanced refunding over the life of the bond Governmental funds recorded the loss on defeasance on the advanced refunding as an expenditure in the current year.		327,541
Deferred inflow of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		63,284
Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to		(11,147,560)
Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to other post-employment benefits that will be recognized as a reduction in other post-employment benefit expense in future periods amounted to		(12,088,596)
Deferred inflows of resources - gain on defeasance on the advanced refunding. The Statement of Net Position will amortize the gain on defeasance on the advanced refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advanced refunding as an expenditure in the current year.		(2,377,943)
Payables 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:		
Accrued interest payable		(1,038,723)
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	($75,780,000)	
Energy performance debt	(8,250,599)	
Claims payable	(2,385,031)	
Compensated absences payable	(9,758,445)	
Total other post-employment benefits obligation	(417,296,363)	
Net pension liability - proportionate share - employees' retirement system	(3,140,406)	
		(516,610,844)
Total Net Position		($264,954,588)

PATCHOGUE-MEDFORD UNION FREE 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	$98,727,845					$98,727,845
Other tax items - including STAR reimbursement	13,804,491					13,804,491
Charges for services	1,826,041					1,826,041
Use of money and property	986,272			$2,465		988,737
Sale of property and compensation for loss	174,700					174,700
Miscellaneous	1,409,442		$8,212			1,417,654
Interfund revenues	43,092					43,092
Local sources		$17,530				17,530
State sources	71,800,564	2,144,242	70,904			74,015,710
Federal sources	694,047	3,568,191	2,058,137			6,320,375
Surplus food			206,991			206,991
Sales - school lunch			1,006,389			1,006,389
TOTAL REVENUES	189,466,494	5,729,963	3,350,633	2,465	-	198,549,555
EXPENDITURES						
General support	18,868,276	1,001,628				19,869,904
Instruction	99,485,413	4,750,438				104,235,851
Pupil transportation	8,543,105	324,711				8,867,816
Community service	1,519,871					1,519,871
Employee benefits	44,070,455					44,070,455
Debt service principal				8,104,355		8,104,355
Debt service interest	517,931			3,121,419		3,639,350
Cost of sales			3,237,810			3,237,810
Capital outlay					$3,016,295	3,016,295
TOTAL EXPENDITURES	173,005,051	6,076,777	3,237,810	11,225,774	3,016,295	196,561,707
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,461,443	(346,814)	112,823	(11,223,309)	(3,016,295)	1,987,848
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		346,814	93,554	11,206,159	9,550,000	21,196,527
Operating transfers (out)	(21,194,142)				(2,385)	(21,196,527)
TOTAL OTHER FINANCING SOURCES AND (USES)	(21,194,142)	346,814	93,554	11,206,159	9,547,615	-
NET CHANGE IN FUND BALANCES	(4,732,699)	-	206,377	(17,150)	6,531,320	1,987,848
FUND BALANCES - BEGINNING OF YEAR	26,416,660	-	585,189	27,071	3,542,078	30,570,998
FUND BALANCES - END OF YEAR	$21,683,961	$ -	$791,566	$9,921	$10,073,398	$32,558,846

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Change in Fund Balance		$1,987,848
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Worker's compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Workers' compensation claims payable for the year ended June 30, 2019 changed by		(240,920)
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2019 changed by		(296,201)
Total other post-employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Total other post-employment benefits obligation and related deferred inflows for the year ended June 30, 2019 changed by		(15,193,772)
Increases/decreases in the proportionate share of net pension asset/liability 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	1,703,858	
Employees' retirement system	(401,039)	1,302,819
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	$3,056,498	
Depreciation expense	(5,575,938)	(2,519,440)
Long-Term Debt Differences		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		7,460,000
Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		644,355
Defeasance loss on advanced refunding- The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognize the defeasance loss in the year of issue. The amount of loss amortized for the fiscal year ended June 30, 2019 was		(39,305)
Defeasance gain on advanced refunding- The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognize the defeasance gain in the year of issue. The amount of gain amortized for the fiscal year ended June 30, 2019 was		314,144
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 this 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		103,499
Change in Net Position		($6,476,973)

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash - Restricted	$374,698	$815,930
Investment in securities	687,179	
TOTAL ASSETS	$1,061,877	$815,930
LIABILITIES		
Extraclassroom activity balance		$346,882
Due to governmental funds		10,238
Other liabilities		458,810
TOTAL LIABILITIES	$ -	$815,930
NET POSITION		
Restricted for scholarships	$1,061,877	
TOTAL NET POSITION	$1,061,877	

Exhibit 9

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$36,659
Interest and earnings	18,280
TOTAL ADDITIONS	54,939
DEDUCTIONS	
Scholarships and awards	56,900
TOTAL DEDUCTIONS	56,900
CHANGE IN NET POSITION	(1,961)
NET POSITION - BEGINNING OF THE YEAR	1,063,838
NET POSITION - END OF THE YEAR	$1,061,877

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Patchogue-Medford Union Free 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.

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

A) Reporting entity:

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

The 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 an entity that is included in the District's reporting entity.

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 Funds.

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.

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

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

The District reports the following fiduciary funds:

Fiduciary Funds: 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 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. Non-exchange 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 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, pension liabilities, other post-employment benefits obligation, 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.

E) Real Property taxes:

i) Calendar:
Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven and remitted to the District from January to June.

ii) Enforcement:
Uncollected real property taxes are subsequently enforced by Suffolk County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the Town of Brookhaven 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 interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables 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 interfund 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 and liabilities and disclosure of contingent assets and liabilities 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 compensated absences, other post-employment benefits, workers' compensation claims, net pension asset/liability, potential contingent liabilities and useful lives of capital assets.

I) **Cash and investments:**

The District's cash and investments consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

J) **Receivables:**

Receivables are shown 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.

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 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 at June 30, 2019.

L) **Capital assets:**

Capital assets are reported at actual cost for acquisitions made within the last 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	$15,000	Straight-line	30 years
Land Improvements	$15,000	Straight-line	20 years
Furniture & Equipment	$5,000	Straight-line	5 years

M) Unearned credits:

The District reports unearned credits on its Statement of Net Position and its Balance Sheet. Unearned credits consist of collections in advance. Unearned credits arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned credits is removed and revenue is recognized.

Collections in advance consist of amounts received in advance for summer programs in the general fund; for amounts received in advance for meals that have not yet been purchased in the school lunch fund and for amounts received in advance for grants in the special aid fund.

N) Deferred inflows of resources – state aid:

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows or resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. The District has one item that qualifies for reporting in this category. This amount is related to state aid reported as deferred inflows of resources in the Governmental Funds Balance Sheet.

O) Deferred outflows and inflows of resources – pensions and OPEB:

In addition to assets, the Statement of Net Position will sometimes report 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. These amounts are related to pensions and other post-employment benefits reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

In addition to liabilities, the Statement of Net Position will sometimes report 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. These amounts are related to pensions and other post-employment benefits (OPEB) reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

P) Deferred inflows of resources – gain on defeasance:

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District reported $2,377,943 of deferred inflows of resources at June 30, 2019, representing the financial effect of a deferred revenue on the advance refunding of general obligation serial bonds. A deferred inflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Q) **Deferred outflows of resources – loss on defeasance:**

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District reported $327,541 of deferred outflows of resources at June 30, 2019, representing the financial effect of deferred charge on the advance refunding of general obligation serial bonds. A deferred outflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

S) **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). Certain collectively bargained agreements allow district employees to participate in the District's elective deferred compensation plans established under Internal Revenue Code Section 457.

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

T) 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.

U) 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, pension liabilities, other post-employment benefits obligation, and compensated absences 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.

V) **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, construction or improvement of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, loss and gain on refunding).

Restricted net position - reports net position when constraints placed on the assets 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 does 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:

(1) **Nonspendable 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 $67,774.

(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.

Currently, New York State laws still use the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability (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.

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.

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 the restricted fund balance.

Insurance Reserve

Insurance reserve (GML §6-n), must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law, e.g., Unemployment Compensation Insurance. The reserve may be established by Board action and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund under the restricted fund balance.

Workers' Compensation Reserve

Workers' compensation reserve (GML §6-j), must be 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 appropriations of the next succeeding fiscal year's budget.

Debt Service

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

Capital Reserve

Capital reserve (EL§3651), must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

Scholarships

Amounts restrict for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted 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 subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

The District has adopted policy 3480, *Fund Balance*, which authorizes the Board of Education, or its designee, to assign amounts for a specific purpose.

(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

The order by which the District will spend restricted and unrestricted (unassigned) fund balance will be evaluated on an annual basis based on the current financial conditions by the Assistant Superintendent for Business. After evaluation, if adjustments are required, a recommendation will be made to the Board of Education for consideration.

Minimum Fund Balance Amount

The fund balance of the District's general fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

The target is to maintain an unassigned fund balance of 4% of the estimated annual operating expenditures for the ensuing fiscal year.

The District's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of 4% of the expected expenditures stems from the need to support normal operating costs for the District and provide fiscal stability.

W) **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.

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 the 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 Financial 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 Financial 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. Supplemental appropriations, if any, that occurred during the year are shown on the other supplemental information – schedule of change from adopted budget to final budget.

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 restrictions or assignments 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.

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 Statement No. 40, *Deposit and Investment Risk* Disclosures, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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.

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 $21,428,217 within the governmental funds for capital projects, debt service and general reserve purposes, and $1,190,628 in the fiduciary funds.

B) Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are accounted for within the private purpose trust fund.

Type of Investment	Value
United States Treasury Bills	$687,179
Total investments	$687,179

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 purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2019 the District was billed $17,575,799 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,224,980. Financial statements for the BOCES are available from the Eastern Suffolk BOCES administrative office at James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

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

General Fund	
Excess cost aid	$1,835,944
BOCES aid	2,224,980
Building Aid	980,257
Other	127,851
Total - General Fund	5,169,032
Special Aid Fund	
Federal aid	885,892
State aid	854,573
Total - Special Aid Fund	1,740,465
School Lunch Fund	
Breakfast - federal aid	64,382
Lunch - federal aid	110,272
Breakfast - state aid	6,587
Lunch - state aid	7,516
Total - School Lunch Fund	188,757
Total - All Funds	$7,098,254

District management has deemed the 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 care tuition	$389,241
Health Services	11,562
Total	$400,803

District management has deemed the amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$2,827,925			$2,827,925
Construction in progress	592,363	$1,435,409	($592,363)	1,435,409
Total capital assets not being depreciated	3,420,288	1,435,409	(592,363)	4,263,334
Capital assets being depreciated:				
Land improvements	5,970,838			5,970,838
Building & building improvements	186,524,525	2,038,994		188,563,519
Furniture and equipment	4,128,341	174,458	(252,742)	4,050,057
Total capital assets being depreciated	196,623,704	2,213,452	(252,742)	198,584,414
Less accumulated depreciation:				
Land improvements	3,151,629	144,078		3,295,707
Building & building improvements	73,582,808	5,209,789		78,792,597
Furniture and equipment	2,910,998	193,770	(224,441)	2,880,327
Total accumulated depreciation	79,645,435	5,547,637	(224,441)	84,968,631
Total capital assets being depreciated, net	116,978,269	(3,334,185)	(28,301)	113,615,783
Capital assets, net	$120,398,557	($1,898,776)	($620,664)	$117,879,117

Depreciation expense and loss on disposal were charged to governmental functions as follows:

General support	$148,301
Instruction	5,430,769
Pupil transportation	(3,132)
	$5,575,938

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$5,104,903			$21,194,142
Special aid fund		$1,621,842	$346,814	
School lunch fund		255,792	93,554	
Debt service fund	28,321	3,217,031	11,206,159	
Capital projects fund		28,321	9,550,000	2,385
Total government activities	5,133,224	5,122,986	21,196,527	21,196,527
Fiduciary agency fund		10,238		
Totals	$5,133,224	$5,133,224	$21,196,527	$21,196,527

The District typically transfers from the general fund to the special aid fund to fund the District's 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 help support the program. The District typically transfers from the general fund to the debt service fund to finance debt service requirements. The District transferred from the general fund to the capital projects fund to fund ongoing projects. The District transferred from the capital projects fund unused funds to the debt service fund.

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

All interfund payables are expected to be repaid within one year.

NOTE 10 – UNEARNED CREDITS - COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2019 consisted of the following:

General Fund	
Summer programs 2019-2020	$220,195
Total General Fund	220,195
Special Aid Fund	
Other local grants	22,184
Total Special Aid Fund	22,184
School Lunch Fund	
Prepaid account balances	31,626
Total School Lunch Fund	31,626
Total All Funds	$274,005

NOTE 11 - SHORT-TERM DEBT:

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/25/19	3.00%	$ -	$34,000,000	$34,000,000	$ -
	Total		$ -	$34,000,000	$34,000,000	$ -

Interest expense on short-term debt for the year was $517,931.

The TAN was issued for interim financing of general fund operations.

NOTE 12 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Reclassed and Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	$83,240,000		$7,460,000	$75,780,000	$7,790,000
Energy performance debt	8,894,954		644,355	8,250,599	660,537
Other long-term liabilities:					
Claims payable	2,144,111	$1,049,557	808,637	2,385,031	832,052
Compensated absences payable	9,462,244	1,127,285	831,084	9,758,445	1,085,345
Total other post-employement benefits	323,781,996	104,846,191	11,331,824	417,296,363	
Net pension liability - proportionate share	1,388,273	1,752,133		3,140,406	
Total long-term liabilities	$428,911,578	$108,775,166	$21,075,900	$516,610,844	$10,367,934

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, energy performance debt, claims payable, compensated absences, other post-employment benefits 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
Refunding serial bond	1/5/2012	10/1/2025	2.00-5.00%	$25,220,000
Refunding serial bond	9/12/2012	7/1/2027	3.50 - 4.25%	23,945,000
Construction serial bond	9/27/2012	9/15/2025	1.50 - 2.50%	3,030,000
Refunding serial bond	6/17/2015	10/1/2026	2.00% - 5.00%	22,685,000
Construction serial bond	6/17/2015	7/15/2020	1.00 - 2.00%	900,000
				$75,780,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$7,790,000	$2,596,388	$10,386,388
2021	8,160,000	2,252,912	10,412,912
2022	8,115,000	1,878,338	9,993,338
2023	8,490,000	1,539,231	10,029,231
2024	8,845,000	1,225,640	10,070,640
2025-2028	34,380,000	2,037,447	36,417,447
	$75,780,000	$11,529,956	$87,309,956

B) Energy Performance Debt:

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance debt	7/3/2014	1/3/2030	2.496%	$8,250,599
				$8,250,599

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	$660,537	$201,824	$862,361
2021	677,125	185,235	862,360
2022	694,131	168,230	862,361
2023	711,563	150,798	862,361
2024	729,433	132,928	862,361
2025-2029	3,931,327	380,479	4,311,806
2030	846,483	15,878	862,361
	$8,250,599	$1,235,372	$9,485,971

C) Long-Term Interest

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

	Total
Interest paid	$3,121,419
Less interest accrued in the prior year	(1,142,222)
Plus interest accrued in the current year	1,038,723
Plus amortized prepaid bond refunding costs	39,305
Less amortized deferred amounts on refunding	(314,144)
Total expense	$2,743,081

NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES – LOSS ON DEFEASANCE:

The loss on defeasance pertaining to the 2002 refunding is recorded in the District-Wide Financial Statements, as deferred outflow of resources. The loss on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 16 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization on the defeasance loss recorded on the District-Wide financials amounted to $39,305 for the year ending June 30, 2019, and is recorded as a component for interest expense.

The loss on defeasance pertaining to the 2002 refunding at June 30, 2019 consisted of the following, net of amortization:

	Total
Deferred amount on refunding	831,143
Bond premium	(503,602)
Total loss on defeasance	$327,541

NOTE 14 – DEFERRED INFLOWS OF RESOURCES – GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2003 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources. The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 16 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization of the defeasance gain recorded on the District-Wide financials amounted to $120,464 for the year ending June 30, 2019.

The gain on defeasance pertaining to the 2005 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources. The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 12 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization of the defeasance gain recorded on the District-Wide financials amounted to $193,680 for the year ending June 30, 2019.

Amortization on the District-Wide Financials is being recorded as a component of interest expense.

The gain on defeasance pertaining to the 2003 and 2005 refunding at June 30, 2019 consisted of the following, net of amortization:

	Total
Deferred amount on refunding - 2003	$747,875
Bond premium - 2003	(1,721,628)
Deferred amount on refunding - 2005	155,282
Bond premium - 2005	(1,559,472)
Total gain on defeasance	($2,377,943)

NOTE 15 – 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. Additional information regarding the System 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 NYSSTR 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 Employees' 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. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

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 Employees' 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 NYSERS, 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 15.78% of covered payroll.

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

The District is required to contribute at an actuarially determined rate. 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 were:

	NYSTRS	NYSERS
2019	$7,723,234	$1,983,492
2018	$6,834,337	$2,021,624
2017	$7,812,724	$2,134,840

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.

Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	$ (3,140,406)	$ 7,741,782
District's portion of the Plan's total net pension asset/(liability)	0.0432280%	0.428133%
Change in proportion since the prior measurement date	0.0013082%	0.0074680%

For the year ended June 30, 2019, the District recognized pension expense of $2,384,530 for ERS and $6,019,433 for TRS. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		Deferred Inflow of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 618,412	$ 5,785,371	$ 210,810	$ 1,047,956
Changes of assumptions	789,370	27,062,606		
Net difference between projected and actual earnings on pension plan investments			806,002	8,593,967
Changes in proportion and differences between the District's contributions and proportionate share of contributions	727,796	439,740	37,528	451,297
District's contributions subsequent to the measurement date	519,934	7,723,234		
	$ 2,655,512	$ 41,010,951	$ 1,054,340	$ 10,093,220

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
Plan Year ended:		
2019		$ 7,774,403
2020	$ 915,078	5,283,041
2021	(412,816)	570,173
2022	74,871	5,264,801
2023	504,105	3,540,423
Thereafter		761,656
Total	$ 1,081,238	$ 23,194,497

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	7.00%	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 July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014.

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 equities			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%
Private debt			1%	6.8%
High-yield fixed income securities			1%	3.5%
Mortgages			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-percentagepoint lower (6.0 % for ERS and 6.25%

for TRS) or 1-percentagepoint 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%)
Employer's proportionate share of the net pension asset (liability)	($13,730,355)	($3,140,406)	$5,755,903

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	($53,187,304)	$7,741,782	$58,783,424

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)	$ (118,107,253)
Plan Fiduciary Net Position	182,718,124	119,915,517
Employers' net pension asset/(liability)	$ (7,085,305)	$ 1,808,264
Ratio of plan fiduciary 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 31st. 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. Accrued retirement contributions as of June 30, 2019 amounted to $519,934.

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 $8,202,537.

NOTE 16 – PENSION PLANS: OTHER:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled $671,953 and $4,349,706 respectively.

The District has adopted a 457 plan covering select bargaining unit employees. Employees in these units may defer a percentage of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by employees for the year ended June 30, 2019 totaled $267,060.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with provisions of various employment contracts. Medicare Part B benefits are also provided. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by the Empire Plan (Core Plus Enhancements). Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand-alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The contribution requirements of Plan members and the District are established and may be amended by the District. Benefit terms provide for the District to contribute between 83% and 100% of the premiums for individual and family coverage, 0% of the premiums for surviving spouses, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. For fiscal year 2019, the District contributed an estimated $11,331,824 to the Plan, including $11,331,824 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

At June 30, 2018, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	757
Inactive employees entitled to but not yet receiving benefits	0
Active employees	858
Total Membership	1,615

B) Total OPEB Liability:

The District's total other post-employment benefit (OPEB) liability of $417,296,363 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	
Prior measurement date	3.87%
Measurement date	3.51%
Mortality table	Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected generationally using MP-2018
Health care cost trends	
Medical	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078
Part B Reimbursement	1.12% for 2018 decreasing to an ultimate rate of 3.84% by 2078

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount Weighted table projected fully generationally using MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation with liabilities projected to June 30, 2019 on a "no gain/loss" basis. Liabilities as of June 30, 2018 are based on a June 30, 2016 valuation projected to June 30, 2018 on a "no gain/loss" basis.

C) **Changes in the Total OPEB Liability:**

	Total OPEB Liability
Balance as of June 30, 2018	$ 323,781,996
Changes for the fiscal year:	
Service cost	6,975,699
Interest	12,583,133
Change in benefit terms	(1,652,121)
Difference between expected and actual experience	10,747,766
Changes of assumptions or other inputs	76,191,714
Benefit payments	(11,331,824)
Net Changes	93,514,367
Balance as of June 30, 2019	$ 417,296,363

The following assumptions have been updated since the last full valuation:

1. Discount rate changed from 3.87% in 2018 to 3.51% in 2019.

2. Implicit liabilities are now valued for all retirees prior to age 65. Implicit liabilities are created when the cost of coverage as represented by the premium rates, are set based on the blended claims experience of active employees and retirees, which caused a crosssubsidy between actives and retirees. This change caused an increase in liabilities.

3. Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018. This change caused an increase in liabilities.

4. Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015. The net impact of this change is a liability increase.

5. Health care trend rates have been updated as follows, which caused a decrease in liabilities:

    a. Medical trend rates have been updated to 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.

    b. Part B reimbursement trend rates have been updated to an initial rate of 1.12% increasing to an ultimate rate of 3.84% in 2075.

6. Actual spousal health coverage election is used for existing retirees instead of assuming that 70% of male and 50% of female retirees elected health coverage for their spouses. This change caused an increase in liabilities.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower 2.51%, or 1 percentage point higher 4.51% than the current discount rate:

	1% Decrease (2.51%)	Current Assumption (3.51%)	1% Increase (4.51%)
Total OPEB Liability	$512,359,566	$417,296,363	$373,508,344

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table 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 that the current healthcare cost trend rate:

	1% Decrease	Current Assumption	1% Increase
Total OPEB Liability	$359,842,604	$417,296,363	$533,264,142

D) OPEB Expense and Deferred Inflows and Outflows of Resources:

For the year ended June 30, 2019, the District recognized OPEB expense of $15,193,772. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 9,404,295	$ -
Changes of assumptions or other inputs	66,667,750	(12,088,596)
Total	$ 76,072,045	$ (12,088,596)

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

Year Ended June 30:	Amount
2020	$ 8,618,885
2021	8,618,885
2022	8,618,885
2023	8,618,885
2024	8,618,885
Thereafter	20,889,024
	$ 63,983,449

NOTE 18 – 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) Risk Retention:

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unpaid claims which were incurred on or before year-end. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR). Had an actuary valuation been performed, the liability amount may significantly change. As of June 30, 2019, the District has recorded a workers' compensation claims liability of $2,385,031 and has a workers' compensation reserve balance of $999,294.

Claims activity is as follows:

Fiscal Year Ending	Unpaid Claims at the Beginning of the Year	Incurred Claims	Paid Claims and Adjustments	Unpaid Claims at the End of the Year
6/30/18	$1,940,665	$1,058,912	($855,466)	$2,144,111
6/30/19	$2,144,111	$1,049,557	($808,637)	$2,385,031

The program is accounted for in the general fund of the District.

NOTE 19 – TAX ABATEMENTS:

The Town of Brookhaven and the County of Suffolk enter into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by $208,257 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $208,257 from the Town of Brookhaven and the County of Suffolk during the fiscal year ending June 30, 2019.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as restricted or assigned fund balance and are as follows:

i. **General Fund** - Total encumbrances of the general fund as of June 30, 2019 were $46,045. Significant encumbrances were assigned as follows; $41,979 for professional services, and $4,066 for supplies and materials.

ii. **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2019 were $6,305,616.

iii. **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2019 were $74,802. Encumbrances totaling $64,211 were for contract services, $7,670 were for supplies and materials, and $2,921 were for travel and conferences.

B) Grants:

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

C) Leases:

The District leases copy equipment under the terms of various non-cancelable leases. Rental expense for the year was $280,732. Minimum annual rentals for each of the remaining years of the lease are:

Fiscal Year Ending June 30,	Annual Lease Cost
2020	$297,624
2021	176,005
2022	173,044
2023	90,764
Total	$737,437

D) Litigation:

As of June 30, 2019, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which requires disclosure.

NOTE 21 – SUBSEQUENT EVENTS:

A) The District issued $37,000,000 in tax anticipation notes on September 20, 2019, with a stated interest rate of 2.00% maturing on June 25, 2020. In addition, the District received a premium of $209,276 on the note, which resulted in a net interest rate of 1.25956%.

SUPPLEMENTARY INFORMATION

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
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	$112,318,127	$112,318,127	$98,727,845	($13,590,282)
Other real property tax items	278,210	278,210	13,804,491	13,526,281
Charges for services	1,801,332	1,801,332	1,826,041	24,709
Use of money & property	423,373	423,373	986,272	562,899
Sale of property & compensation for loss	60,000	60,000	174,700	114,700
Miscellaneous	1,185,000	1,185,000	1,409,442	224,442
Interfund revenues	50,000	50,000	43,092	(6,908)
State Sources				
Basic formula	65,201,382	65,201,382	46,683,747	(18,517,635)
Excess cost aid	5,226,193	5,226,193	12,124,925	6,898,732
Lottery Aid			9,776,580	9,776,580
BOCES aid	2,156,650	2,156,650	2,224,980	68,330
Tuition for students with disabilities aid	150,000	150,000	116,870	(33,130)
Textbook aid	455,951	455,951	462,098	6,147
Computer software and hardware aid	236,307	236,307	236,635	328
Library A/V loan program aid	50,207	50,207	49,525	(682)
Other state aid	374,584	374,584	125,204	(249,380)
Medicaid reimbursement	500,000	500,000	694,047	194,047
TOTAL REVENUES AND OTHER SOURCES	190,467,316	190,467,316	$189,466,494	($1,000,822)
Appropriated fund balance				
Appropriated reserves	293,532	7,393,532		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	$190,760,848	$197,860,848		

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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
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	$160,585	$173,019	$164,698		$8,321
Central administration	409,239	440,314	424,508	$537	15,269
Finance	1,331,076	1,436,749	1,421,079	4,400	11,270
Staff	863,010	913,360	876,520		36,840
Central services	14,215,794	14,477,565	13,873,698	9,366	594,501
Special items	2,162,557	2,115,925	2,107,773		8,152
	19,142,261	19,556,932	18,868,276	14,303	674,353
Instructional					
Instruction, adm. & imp.	6,695,061	6,724,710	6,617,904	1,306	105,500
Teaching - regular school	52,339,249	52,502,880	52,175,338	1,225	326,317
Programs for children with handicapping conditions	28,363,602	28,465,107	27,573,232		891,875
Occupational education	1,460,010	1,467,710	1,467,695		15
Teaching special schools	808,517	734,117	686,085		48,032
Instructional media	2,968,343	2,967,741	2,923,069		44,672
Pupil services	8,177,726	8,212,446	8,042,090	29,211	141,145
	100,812,508	101,074,711	99,485,413	31,742	1,557,556
Pupil transportation	9,440,975	9,007,489	8,543,105		464,384
Community services	1,666,117	1,636,317	1,519,871		116,446
Employee benefits	45,281,890	44,820,025	44,070,455		749,570
Debt service					
Debt service interest	288,255	517,932	517,931		1
TOTAL EXPENDITURES	176,632,006	176,613,406	173,005,051	46,045	3,562,310
Other Financing Uses					
Interfund transfers	14,128,842	21,247,442	21,194,142		53,300
TOTAL EXPENDITURES AND OTHER USES	$190,760,848	$197,860,848	194,199,193	$46,045	$3,615,610
NET CHANGE IN FUND BALANCE			(4,732,699)		
FUND BALANCE - BEGINNING OF YEAR			26,416,660		
FUND BALANCE - END OF YEAR			$21,683,961		

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.

See Paragraph on Supplementary Schedules Included in Auditor's Report

PATCHOGUE-MEDFORD UNION FREE 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	2018
Total OPEB Liability		
Service Cost at end of year	$6,975,699	$7,257,844
Interest	12,583,133	11,691,075
Changes of benefit terms	(1,652,121)	
Difference between expected and actual experience	10,747,766	
Changes of assumptions or other inputs	76,191,714	(16,585,696)
Benefit payments	(11,331,824)	(10,295,153)
Net change in Total OPEB Liability	$93,514,367	($7,931,930)
Total OPEB Liability - beginning	$323,781,996	$331,713,926
Total OPEB Liabilty - ending	$417,296,363	$323,781,996
Covered employee payroll	$76,929,331	$76,494,781
Total OPEB Liability as a percentage of covered employee payroll	542.44%	423.27%

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 Assumptions and Chnages in Benefits Terms
Discount rate changed from 3.87% in 2018 to 3.51% in 2019.

Implicit liabilities are now valued for all retirees prior to age 65. Implicit liabilities are created when the cost of coverage as represented by the premium rates, are set based on the blended claims experience of active employees and retirees, which caused a cross-subsidy between actives and retirees. This change caused an increase in liabilities.

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018. This change caused an increase in liabilities.

Termination and retirement rates have been updated based on NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015. The net impact of this change caused an increase in liabilities.

Health care trend rates have been updated as follows, which caused a decrease in liabilities: Medical trend rates have been updated to 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.

Part B reimbursement trend rates have been updated to an initial rate of 1.12% increasing to an ultimate rate of 3.84% in 2075.

Actual spousal health coverage election is used for existing retirees instead of assuming that 70% of male and 50% of female retirees elected health coverage for their spouses. This change caused an increase in liabilities.

Supplemental Schedule #3

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, *

NYSERS Pension Plan

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0443228%	0.0430146%	0.0441517%	0.0428285%	0.0428188%	0 0428188%
District's proportionate share of the net pension (liability) asset	$ (3,140,406)	$ (1,388,273)	$ (4,148,588)	$ (6,874,102)	$ (1,446,523)	$ (1,934,921)
District's covered payroll	$15,568,506	$14,491,832	$14,202,033	$ 13,995,350	$ 13,032,483	$ 12,836,071
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	20.17%	9.58%	29.21%	49.12%	11.10%	15.07%
Plan fiduciary net position as a percentage of the total pension (liability) asset	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.428133%	0.420665%	0.423565%	0.429273%	0 430833%	0.441540%
District's proportionate share of the net pension (liability) asset	$ 7,741,782	$ 3,197,468	$ (4,536,556)	$ 44,587,735	$ 47,992,057	$ 2,906,453
District's covered payroll	$71,259,740	$68,829,412	$66,282,405	$ 65,447,539	$ 64,783,002	$ 65,811,589
District's proportionate share of the net pension (liability) asset as a percentage of its covered payroll	10.86%	4.65%	6.84%	68.13%	74 08%	4.42%
Plan fiduciary net position as a percentage of the total pension (liability) asset	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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,

NYSERS Pension Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 1,983,492	$ 2,021,624	$ 2,134,840	$ 2,071,934	$ 3,308,634	$ 2,813,250	$ 1,605,109	$ 1,934,788	$ 1,228,923	$ 893,292
Contributions in relation to the contractually required contribution	1,983,492	2,021,624	2,134,840	2,071,934	3,308,634	2,813,250	1,605,109	1,934,788	1,228,923	893,292
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,968,849	$ 14,946,141	$ 14,459,827	$ 14,127,816	$ 13,378,662	$ 12,779,733	$ 12,817,802	$ 12,417,842	$ 12,308,884	$ 12,177,950
Contributions as a percentage of covered payroll	13.25%	13.53%	14.76%	14.67%	24.73%	22.01%	12.52%	15.58%	9.98%	7.34%

NYSTRS Pension Plan

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 7,723,234	$ 6,834,337	$ 7,812,724	$ 8,666,777	$ 11,303,793	$ 10,341,609	$ 7,657,645	$ 6,970,100	$ 5,716,906	$ 3,910,355
Contributions in relation to the contractually required contribution	7,723,234	6,834,337	7,812,724	8,666,777	11,303,793	10,341,609	7,657,645	6,970,100	5,716,906	3,910,355
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 74,549,554	$ 71,259,740	$ 68,829,412	$ 66,282,405	$ 65,447,539	$ 64,783,002	$ 65,811,589	$ 63,777,204	$ 67,506,782	$ 64,602,057
Contributions as a percentage of covered payroll	10.36%	9.59%	11.35%	13.08%	17.27%	15.96%	11.64%	10.93%	8.47%	6.05%

See Paragraph on Supplementary Schedules Included in Auditor's Report

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$190,467,316
Add: Prior year's encumbrances		293,532
Original Budget		190,760,848
Budget revisions:		
Voter approved transfer to capital projects fund		7,100,000
Final Budget		$197,860,848

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter approved expenditure budget		$195,640,699
Maximum allowed (4% of 2019-2020 budget)		$7,825,628
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	$46,045	
Unassigned fund balance	6,390,316	
Total unrestricted fund balance		6,436,361
Less:		
Appropriated fund balance		
Encumbrances	46,045	
Total adjustments		46,045
General fund fund balance subject to Section 1318 of Real Property Tax Law		$6,390,316
Actual percentage		3.27%

See Paragraph on Supplementary Schedules Included in Auditor's Report

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2019

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2007 EXCEL Bond Referendum	$10,334,240	$10,334,240	$10,125,662	($1)	$10,125,661	$208,579	$7,460,000	$2,665,661		$10,125,661	$ -
2013-14 High School Track and Field	1,600,000	1,335,989	1,335,989		1,335,989	-			$1,335,989	1,335,989	-
Energy Performance Contract	10,602,531	10,602,531	10,602,531		10,602,531	-	10,602,531			10,602,531	-
Smart Schools Bond Act	373,942	2,099,653	405,978	378	406,356	1,693,297		354,444		354,444	(51,912) *
2015-16 Interfund Transfer	500,000	499,951	499,849		499,849	102			499,849	499,849	-
2016-17 Interfund Transfer	550,000	550,000	185,406	152,605	338,011	211,989			550,000	550,000	211,989
2017-18 Interfund Transfer - ADA Renovations District-Wide	1,124,584	1,124,584	31,219	72,448	103,667	1,020,917			1,124,584	1,124,584	1,020,917
2017-18 Interfund Transfer - FEMA	243,455	243,455	-		-	243,455			243,455	243,455	243,455
2018-19 Interfund Transfer - Playground Renovation Plan	2,450,000	2,450,000	-	180,042	180,042	2,269,958			2,450,000	2,450,000	2,269,958
2015 Capital Reserve - Bay Roof	365,565	147,314	147,314		147,314	-			147,314	147,314	-
2015 Capital Reserve - Medford Windows	511,752	443,622	443,622		443,622	-			443,622	443,622	-
2015 Capital Reserve - Medford Roof	511,752	208,353	208,353		208,353	-			208,353	208,353	-
2015 Capital Reserve - Saxton Roof	1,097,682	465,169	465,169		465,169	-			465,169	465,169	-
2015 Capital Reserve - Barton Roof	639,714	243,165	243,165		243,165	-			243,165	243,165	-
2015 Capital Reserve - Tremont Roof	731,131	315,645	315,645		315,645	-			315,645	315,645	-
2015 Capital Reserve - Eagle Roof	594,006	250,055	250,055		250,055	-			250,055	250,055	-
2015 Capital Reserve - Canaan Roof	548,398	237,162	237,162		237,162	-			237,162	237,162	-
2015 Capital Reserve - River Roof		129,390	18,906	110,484	129,390	-			129,390	129,390	-
2015 Capital Reserve - South Ocean Lockers		144,639	70,861	73,778	144,639	-			144,639	144,639	-
2015 Capital Reserve - Saxton Lockers		200,181	196,431	3,750	200,181	-			200,181	200,181	-
2015 Capital Reserve - HS Roof and Tennis Courts		1,469,361	363,347	1,106,014	1,469,361	-			1,469,361	1,469,361	-
2015 Capital Reserve - Security		745,944	147,771	436,263	584,034	161,910			745,944	745,944	161,910
2018 Capital Reserve - Canaan Vestibule	350,000	432,900	-	28,223	28,223	404,677			432,900	432,900	404,677
2018 Capital Reserve - Medford Loop, Payground Supplemt, ADA Supplement	500,000	784,000	-	8,848	8,848	775,152			784,000	784,000	775,152
2018 Capital Reserve - High School Greenhouse Supplement	500,000	277,150	-	5,913	5,913	271,237			277,150	277,150	271,237
2018 Capital Reserve - High School Dust Collection	200,000	331,050	-	3,615	3,615	327,435			331,050	331,050	327,435
2018 Capital Reserve - Playground Renovation Plan Supplement	550,000	389,898	-		-	389,898			389,898	389,898	389,898
2018 Capital Reserve - ADA Renovations District-Wide Supplement	500,000		-		-	-			-	-	-
2018 Capital Reserve - Oregon ADA and Track	1,000,000	1,204,002	-	408,291	408,291	795,711			1,204,002	1,204,002	795,711
2018 Capital Reserve - Saxton ADA and Track	1,000,000	1,181,000	-	428,029	428,029	752,971			1,181,000	1,181,000	752,971
2018 Capital Reserve - Projects Approved 5/21/2019	2,500,000	2,500,000	-		-	2,500,000			2,500,000	2,500,000	2,500,000
TOTAL	$39,878,752	$41,340,403	$26,294,435	$3,018,680	$29,313,115	$12,027,288	$18,062,531	$3,020,105	$18,303,877	$39,386,513	$10,073,398

* The current deficit fund balance will be eliminated once permanent funding is obtained.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019

Capital assets, net			$117,879,117
Add:			
	Loss on defeasance	$327,541	
			327,541
Deduct:			
	Gain on defeasance	2,377,943	
			2,377,943
	Short-term portion of bonds payable	7,790,000	
	Long-term portion of bonds payable	67,990,000	
			75,780,000
	Short-term portion of energy performance debt	660,537	
	Long-term portion of energy performance debt	7,590,062	
			8,250,599
Net investment in capital assets			$31,798,116

See Paragraph on Supplementary Schedules Included in Auditor's Report

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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

To the Board of Education
Patchogue-Medford Union Free School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary fund of Patchogue-Medford Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Patchogue-Medford Union Free School District's basic financial statements, and have issued our report thereon dated October 7, 2019.

Internal Control over Financial Reporting

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 7, 2019

Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

To the Board of Education and
Dr. Donna Jones, Interim Superintendent of Schools
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, New York 11772

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of Patchogue-Medford Union Free School District as of and for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Patchogue-Medford Union Free School District's internal control over financial reporting (internal control) as a basis for designing 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 Patchogue-Medford Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Patchogue-Medford Union Free School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During our current year audit we have not identified any areas in which the District's internal control can be improved.

The District has implemented very strong controls and we have noted the business office has excellent financial operations.

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This communication is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 7, 2019

Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

October 7, 2019

To the Board of Education
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, New York 11772

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of Patchogue-Medford Union Free School District for the fiscal year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Patchogue-Medford Union Free School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by Patchogue-Medford Union Free School District the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Patchogue-Medford Union Free School District's financial statements were:

- Useful Life of Capital Assets – Management's estimate of the useful life of capital assets is based on the historical asset life information for Patchogue-Medford Union Free School District's capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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- Compensated Absences Liability – Management's estimate of the liability for compensated absences is based on historical information regarding employees who have separated from Patchogue-Medford Union Free School District and their terminal payout amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated sick, vacation and/or leave terminal payouts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Other Post-Employment Benefits Obligation – Management's estimate of the liability for other post-employment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Workers Compensation Claims Payable – Management's estimate of the liability for workers compensation payable is provided by a third party. The liability is based on incurred claims and claim adjustments from various actuarial reports and claim payments during the fiscal year ending June 30, 2019. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Net Pension Liability – Management's estimate of the liability for retirement systems is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Patchogue-Medford Union Free School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Patchogue-Medford Union Free School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability (asset), and the schedule of District's contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of change from adopted budget to final budget – general fund and real property tax law limit schedule of project expenditures - capital projects fund and net investment in capital assets, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education, Audit Committee and management of Patchogue-Medford Union Free School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R.S. Abrams + Co., LLP

R.S. Abrams & Co., LLP

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street, 41st floor
New York, New York 10007

October 14, 2020

The Board of Education of
the Patchogue-Medford Union Free School District, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Patchogue-Medford Union Free School District (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 $20,600,000 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. Bond Counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount 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.

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 excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the 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 the date of issuance thereof, 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 District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

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 Patchogue-Medford Union Free School District, 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 September 11, 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 **$20,600,000 School District Refunding Serial Bonds-2020**, dated October 14, 2020, maturing in various principal amounts on September 15 in each of the years 2021 to 2027, 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;

(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; and

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

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

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

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

(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 GAAP or New York State regulatory requirements 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 **October 14, 2020**.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

By____
President of the Board of Education
and Chief Fiscal Officer