PRELIMINARY OFFICIAL STATEMENT DATED JULY 20, 2017

REFUNDING SERIAL BONDS

BOOK-ENTRY-ONLY BONDS
RATING – MOODY'S: " "
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 imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the district, under existing statues, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

THREE VILLAGE CENTRAL SCHOOL DISTRICT OF BROOKHAVEN AND SMITHTOWN
SUFFOLK COUNTY, NEW YORK
(the "District")

$25,395,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017
(the "Bonds")

See Bond Maturity Schedule Herein

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

Prior Redemption: The Bonds maturing on May 1, 2026 and thereafter are subject to redemption, prior to maturity, at the option of the District, on May 1, 2025, and thereafter on any date, in accordance with terms described herein. (See "*Optional Redemption*" under "*THE BONDS,*" herein.)

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their interests in the Bonds purchased. See "*Book-Entry-Only System*" under "*THE BONDS,*" herein.

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "*Book-Entry-Only System*" under "*THE BONDS,*" herein.

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

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on August 3, 2017 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 August 29, 2017 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.

August , 2017

*Preliminary, subject to change.

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

$25,395,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS - 2017

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: May 1, 2018-2030, inclusive
Interest Due: November 1, 2017, and semi-annually thereafter on May 1 and November 1 in each year to maturity

Amount**	Maturity	Rate	Price or Yield	CUSIP #
$ 430,000	May 1, 2018			
545,000	May 1, 2019			
2,225,000	May 1, 2020			
2,295,000	May 1, 2021			
2,370,000	May 1, 2022			
2,440,000	May 1, 2023			
2,115,000	May 1, 2024			
2,015,000	May 1, 2025			
2,070,000	May 1, 2026***			
2,135,000	May 1, 2027***			
2,190,000	May 1, 2028***			
2,255,000	May 1, 2029***			
2,310,000	May 1, 2030***			

*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 58.00 9(c)(2) of the Local Finance Law.
***Amounts are subject to optional redemption, prior to maturity.

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

Administration Offices - 100 Suffolk Avenue
Stony Brook, New York 11790
Telephone: 631/730-4020
Fax: 631/730-4083

BOARD OF EDUCATION

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

Board Members

Deanna Bavlnka
Inger Germano
Dr. Jeffrey Kerman
Jonathan Kornreich
Angelique Ragolia

Cheryl Pedisich, Superintendent of Schools
Jeffrey Carlson, Assistant Superintendent for Business Services
Patricia Castaldo, Assistant Business Administrator
Elizabeth Fleming, District Treasurer
Kathleen Sampogna, School District Clerk

School District Attorneys

Guercio & Guercio, LLP
Farmingdale, New York

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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

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

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

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OFFICIAL STATEMENT

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

$25,395,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017

[BOOK–ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the Three Village Central School District of Brookhaven and Smithtown, in the County of Suffolk, in the State of New York (the "District" and "State," respectively) in connection with the sale of $25,395,000* School District Refunding Serial Bonds - 2017 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on May 1 in each of the years 2018 to 2030, inclusive, as set forth on the inside cover page hereof.

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

Interest on the Bonds will be payable November 1, 2017, and semiannually on May 1 and November 1 in each year to maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

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

Optional Redemption

The Bonds maturing on or before May 1, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on May 1, 2026 and thereafter, will be subject to redemption, at the option of the District, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after May 1, 2025, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption.

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

*Preliminary, subject to change

Book-Entry-Only System

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

DTC is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

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

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

Certificated Bonds

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

Authorization and Purpose

The Bonds are being issued 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 April 26, 2017 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the School District Serial Bonds – 2008 (the "2008 Bonds"), maturing in each of the years 2018 to 2023, and all or a part of the School District Serial Bonds – 2009 (the "2009 Bonds") maturing in each of the years 2018 to 2030, inclusive, which are currently outstanding in the principal amount of $2,345,000 and $24,865,000 respectively.

Summary of Refunded Bonds
(the "Refunded Bonds")

2008 Bonds Maturity Date	Par Amount	Interest Rate	Call Date	Call Price	CUSIP Numbers
05/15/2019	$ 365,000	4.000%	05/15/2018	100.00%	885766JL0
05/15/2020	385,000	4.000	05/15/2018	100.00	885766JM8
05/15/2021	400,000	4.000	05/15/2018	100.00	885766JN6
05/15/2022	415,000	4.000	05/15/2018	100.00	885766JP1
05/15/2023	430,000	4.125	05/15/2018	100.00	885766JQ9

2009 Bonds Maturity Date	Par Amount	Interest Rate	Call Date	Call Price	CUSIP Numbers
05/01/2020	$ 1,655,000	3.750%	05/01/2019	100.00%	885766KU8
05/01/2021	1,725,000	4.000	05/01/2019	100.00	885766KV6
05/01/2022	1,800,000	4.000	05/01/2019	100.00	885766KW4
05/01/2023	1,875,000	4.000	05/01/2019	100.00	885766KX2
05/01/2024	1,955,000	4.000	05/01/2019	100.00	885766KY0
05/01/2025	1,910,000	4.250	05/01/2019	100.00	885766KZ7
05/01/2026	1,990,000	4.375	05/01/2019	100.00	885766LA1
05/01/2027	2,075,000	4.375	05/01/2019	100.00	885766LB9
05/01/2028	2,160,000	4.500	05/01/2019	100.00	885766LC7
05/01/2029	2,255,000	4.625	05/01/2019	100.00	885766LD5
05/01/2030	2,350,000	4.750	05/01/2019	100.00	885766LE3

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

REMEDIES UPON DEFAULT

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

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

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Bondholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

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

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

THE DISTRICT

Description

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

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

District Organization

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

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

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

Enrollment History

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

School Year	School Enrollment
2014	6,941
2015	6,723
2016	6,466
2017	6,286

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2018	6,100
2019	5,900
2020	5,700

Source: District Officials.

School Facilities

Name of School	Date of Construction	Most Recent Renovation	Capacity	Insurable Reconstruction Cost (New)
Setauket Elementary	1952	2017	1,153	$23,503,000
Nassakeag Elementary	1963	2017	1,134	29,526,300
North Country Administration	1962	2009	NA	17,855,400
Arrowhead Elementary	1965	2015	1,134	28,756,100
W. S. Mount Elementary	1967	2017	1,161	26,499,100
Minnesauke Elementary	1968	2017	1,053	27,944,300
P. J. Gelinas Junior High	1968	2015	1,526	44,640,000
R. C. Murphy Junior High	1968	2015	1,524	44,640,000
Ward Melville High	1968	2015	1,872	89,509,100
Administration Building	1967	NA	NA	2,192,600

Employees

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

Name of Union	Expiration Date of Contract [a]	Approx. No. of Members
Three Village Teachers Assoc.	6/30/2021	727
Three Village School Administrators Assoc.	6/30/2018	49
UPSEU - Clerical Unit	6/30/2021	90
UPSEU - Maintenance and Operations Unit	6/30/2021	89
CSEA - Cafeteria	6/30/2020	35
UPSEU - Monitors	6/30/2021	177
TV Registered Professional Nurses Assoc.	6/30/2017	12
TV Substitute Teachers Assoc.	6/30/2017	240
UPSEU-SACC	6/30/2020	42
UPSEU-Security	6/30/2018	38

a. All contracts expired 6/30/16 or earlier are currently in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

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

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

Income Data

Income Data is not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Town of Brookhaven and the County of Suffolk. The information set forth below with respect to such Towns, County and State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the Towns, County or State or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2015[a]
Town of Brookhaven	$16,726	$24,191	$32,663	$36,021
Suffolk County	18,481	26,577	35,411	38,599
State of New York	16,501	23,389	30,791	34,297

	Median Household Income			
	1990	2000	2010	2015[a]
Town of Brookhaven	$47,074	$62,475	$81,654	$87,009
Suffolk County	49,128	65,288	84,235	88,340
New York State	32,965	43,393	55,217	60,850

Source: United States Bureau of the Census
a. Note: Based on American Community Survey 1-Year Estimate (2015)

Selected Listing of Larger Employers in Town of Brookhaven
(As of 2015)

Name	Aprrox. No. Of Employees
State University at Stony Brook	14,000
Stony Brook University Medical Center	5,500
Brookhaven National Laboratory	3,000
Sachem Central School District	2,500
John T. Mather Hospital	2,500
Brookhaven Memorial Hospital	2,500
Eastern Suffolk BOCES	2,000
Three Village Central School District	1,650
William Floyd Central School District	1,650
St. Charles Hospital	1,600

Source: Town of Brookhaven.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven. The information set forth below with respect to such County is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the County, or vice versa.

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2012	7.7	7.8	8.6
2013	6.5	6.5	7.7
2014	5.3	5.3	6.4
2015	4.8	5	5.5
2016	4.3	4.3	4.9
2017 (8 Months)	4.3	4.4	4.6

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

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

Statutory Procedure

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

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

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

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

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

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

Computation of Debt Limit and Calculation of Total Indebtedness
(As of July 20, 2017)

In Town of:	Assessed Valuation	State Equalization Rate (%)	Full Valuation[a]
Brookhaven (2016-2017)	$55,694,246	0.91	$6,120,246,813
Smithtown (2016-2017)	1,332,296	1.32	100,931,515
Total			$6,221,178,328
Debt Limit - 10% of Full Valuation			$622,117,833
Inclusions:[b]			
Outstanding Bonds			$117,940,000
Bond Anticipation Notes			0
Total Indebtedness			117,940,000
Exclusions (Estimated Building Aid) [c]			85,656,816
Total Net Indebtedness			32,283,184
Net Debt Contracting Margin			$589,834,649
Per Cent of Debt Contracting Margin Exhausted			5.19%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Leases and Revenue Anticipation Notes are not included in the 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 most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefor may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has no short-term debt outstanding.

Outstanding Long-Term Bond Indebtedness

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

Trend of Outstanding Debt

	2013	2014	2015	2016	2017
Bonds	$91,965,000	$85,550,000	$79,005,000	$70,750,000	$117,940,000
BANs	-	-	8,000,000	44,000,000	-
Other	-	-	-	-	-
Total	$91,965,000	$85,550,000	$87,005,000	$114,750,000	$117,940,000

Debt Service Requirements - Outstanding Bonds and Refunding Bonds

Fiscal Year Ending June 30:	Outstanding Debt Service	Refunding Debt Service	Sub-Total	Less: Debt Service to be Refunded	Net After Issuance of Refunding Bonds
2018	$13,930,281				
2019	13,306,057				
2020	12,616,106				
2021	10,964,407				
2022	10,989,095				
2023	11,010,720				
2024	10,601,031				
2025	9,048,556				
2026	9,005,625				
2027	8,397,600				
2028	8,311,519				
2029	8,325,819				
2030	8,323,925				
2031	4,132,500				
2032	4,045,000				
Totals	$143,008,237				

Debt Service Requirements – Energy Performance Contract

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	$ 1,159,440	$ 288,200	$ 1,447,640
2019	1,187,157	260,483	1,447,640
2020	1,215,537	232,103	1,447,640
2021	1,244,597	203,043	1,447,640
2022-2026	5,748,192	560,041	6,308,233
2027-2030	1,968,815	101,881	2,070,696
	$12,523,738	$1,645,751	$14,169,489

Revenue and Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2013	$19,000,000	TAN	09/20/2012	06/27/2013
2014	26,000,000	TAN	08/22/2013	06/26/2014
2015	26,000,000	TAN	08/28/2014	06/25/2015
2016	26,000,000	TAN	08/27/2015	06/27/2016
2017	26,000,000	TAN	08/25/2016	06/27/2017

Authorized But Unissued Items

As of the date of this Official Statement, other than the refunding bond resolution pursuant to which the Bonds are being issued, the District has authorized and unissued debt outstanding in the amount of $1,006.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	12/05/2016	2.50	$ 44,626,400	$ 36,235,979
Town of Brookhaven	03/27/2017	11.57	74,919,817	61,860,660
Town of Smithtown	06/01/2016	0.34	57,717	48,863
Village of Head of the Harbor	02/28/2016	20.00	18,000	18,000
Village of Old Field	02/28/2016	100.00	1,245,000	1,245,000
Village of Poquott	05/31/2016	100.00	0	0
Fire Districts (Est.)	12/31/2014	Var.	650,000	650,000
Totals			$121,516,934	$100,058,502

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

Debt Ratios
(As of July 20, 2017)

	Amount	Per Capita[a]	Percentage Of Full Value (%)[b]
Total Direct Debt	$117,940,000	$2,436	1.896
Net Direct Debt	32,283,184	667	0.519
Total Direct & Applicable Total Overlapping Debt	239,456,934	4,945	3.849
Net Direct & Applicable Net Overlapping Debt	132,341,686	2,733	2.127

a. The current population of the District is 48,424.
b. The full valuation of taxable property is $6,221,178,328.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2016. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-2018 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2016-2017 and 2017-2018 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 total general fund revenues and State aid revenues during the last five fiscal years, and the amount budgeted for the current and upcoming fiscal years.

FYE June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2012	$168,915,171	$36,123,765	21.39
2013	172,265,880	35,873,661	20.82
2014	179,209,701	36,879,546	20.58
2015	182,738,075	38,099,575	20.85
2016	192,016,940	42,377,276	22.07
2017 (Budgeted)	198,779,935	46,488,925	23.39
2018 (Budgeted)	204,444,527	44,726,145	21.88

a. Budgeted Revenues include the application of reserves and fund balances.

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 District has received timely STAR aid from the State for the current fiscal year.

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 could be affected by a delay in the adoption of the State budget or 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.

Potential reductions in Federal aid received by the State. The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

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 new 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.

Recent Events Affecting State Aid to New York School Districts

State aid to school districts in the State has declined in some recent years.

School district fiscal year (2009-2010): Total State aid for the 2009-2010 fiscal year was maintained at the 2008-2009 levels in part due to the use of Federal aid made available as part of the American Reinvestment and Recovery Act of 2009 ("ARRA"). During said fiscal year, the District's receipt of State aid was delayed as a result of several initiatives adopted by then Governor Paterson in response to the State's ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

School district fiscal year (2010-2011): The total reduction in State aid for the 2010-2011 fiscal year was approximately $2.1 billion; however, this amount was partially offset by $726,000,000 in Federal aid for education, including funding from ARRA and other federal initiatives. As a result, the net State aid reduction totaled approximately $1.4 billion.

School district fiscal year (2011-2012): The total reduction in State aid for the 2011-2012 fiscal year was $1.3 billion or 6.1 percent from the previous year, and all aid was received on time.

School district fiscal year (2012-2013): The State Legislature adopted the State budget on March 30, 2012. The budget includes an increase of $751 million in State aid for school districts.

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

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The Enacted 2014-2015 State 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 Enacted 2014-2015 State Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The Enacted 2014-2015 State Budget invests $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. The budget includes an increase of $1.4 billion in State aid for school districts, that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

School district fiscal year (2016-2017): The 2016-17 State budget includes a school aid increase of $991 million over 2015-16, $863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the Governor's budget includes a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase includes $100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. Further information may be obtained at the official website of the New York State Divisions of Budget and the New York State Education Department.

School district fiscal year (2017-2018): The State's 2017-2018 Enacted Budget provides 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 have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

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 is a negative number (funds that are deducted from the State aid originally due to the District under existing State aid formulas). The District's State aid was reduced as a result of the GEA program since 2009. Recent State budgets have decreased the amount of the GEA deduction. The Adopted Budget for the State's 2016-2017 fiscal year included the elimination of the remaining balance of the GEA, resulting in more State aid to the District in the 2016-2017 fiscal year; however, it does not make the District whole for reductions in State aid during the period in which the GEA was implanted by the State.

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 to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is $3.4 million.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year and during the District's 2016-2017 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

Expenditures

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

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. New ERS employees will now contribute 3% of their salaries and new TRS employees will 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. The 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 will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

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

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

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 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.

The primary purpose of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with assistance in its ability to create a projection. However, although the SCO plan will reduce payments in the near term, it may result in much higher payments in the future. As such, the District does not intend to amortize any payments to the Retirement System.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for 2017.

FYE June 30:	TRS	ERS
2012	$6,974,148	$2,292,520
2013	9,259,900	3,051,017
2014	9,061,824	3,054,362
2015	12,227,878	2,777,330
2016	10,057,742	3,091,745
2017 (Budgeted)	9,756,000	2,600,000

Source School District

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. 45 ("GASB 45") 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 45 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 45 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.

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 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every two years for the District.

The following tables, as presented in the audited financial statement for the fiscal year ending June 30, 2016, show the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

Annual OPEB Cost and Net OPEB Obligation	FYE June 30:
Annual required contribution (ARC)	$27,500,454
Interest on net OPEB obligation	3,321,946
Less: Adjustments to ARC	(5,692,036)
Annual OPEB cost (expense)	25,130,364
Less: Contributions made	(9,373,477)
Increase in net OPEB obligation	15,756,887
Net OPEB obligation-beginning of year	83,048,664
Net OPEB obligation-end of year	$98,805,551

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the preceding two years are as follows:

Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2016	$25,130,364	37	$98,805,551
June 30, 2015	18,535,174	52	83,048,664
June 30, 2014	18,887,716	53	74,164,844

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. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability.

In February of 2015, the OSC 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. 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.

TAX INFORMATION

Real Property Taxes

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

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, inclusive, and the amount budgeted for the 2017 and 2018 fiscal years.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2012	$168,915,171	$115,063,575	68.12
2013	172,265,880	119,456,150	69.34
2014	179,209,701	124,623,919	69.54
2015	182,738,075	126,546,273	69.25
2016	192,016,940	130,141,360	67.78
2017 (Budgeted)	198,779,935	146,991,010	73.95

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

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax 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 Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

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

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

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

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $65,300 for the 2016-17 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 includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

Approximately 8% of the District's 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 8% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2018. (See *"State Aid"* herein).

Valuations, Rates, Levies and Collections

Fiscal Year Ending June 30	Town of Brookhaven Assessed Valuation	Town of Brookhaven Tax Levy	Town of Brookhaven Per $1000 of Assessed Val.	Town of Smithtown Assessed Valuation	Town of Smithtown Tax Levy	Town of Smithtown Per $1000 of Assessed Val.
2013	$56,054,699	$116,603,731	$2,312.16	$1,311,693	$2,028,241	$1,546.28
2014	55,997,150	122,401,927	2,421.50	1,295,605	2,177,198	1,680,45
2015	55,892,652	124,328,608	2,457.44	1,284,280	2,189,949	1,705.20
2016	55,670,010	127,675,334	2,532.72	1,308,958	2,424,488	1,852.23
2017	55,694,246	131,344,610	2,595.11	1,332,296	2,357,145	1,769.24

Selected Listing of Large Taxable Properties
2016-2017 Assessment Roll

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

a. Represents 6.54% of the 2017 Full Valuation.
Source: Towns of Brookhaven and Smithtown.

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.

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

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Bonds.

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

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

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

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

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

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

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 imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Some of the Bonds bear interest that is susceptible of inclusion in adjusted current earnings of corporations for alternative minimum tax purposes while interest on the remaining Bonds is not so includable. These two types of Bonds are not being separately identified by the District. Failing such identification, all corporate holders of the Bonds should treat the interest they receive as includable in adjusted current earnings of corporations for purposes of calculating the alternative minimum taxable income of such corporations. Prospective purchasers of the Bonds should consult their own tax advisors regarding this issue. 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 regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

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 means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 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, may 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) and 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.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

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" to this Official Statement.

Closing Certificates

Upon the delivery of the Bonds, the Purchaser will be furnished with the following items: (i) a Certificate of the President of the Board of Education and the certain other District Officials to the effect that as of the date of the Official Statement and at all times subsequent thereto, up to and including the time of delivery of the Bonds, the Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Bonds; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the District evidencing payment for the Bonds; (iii) a Signature Certificate evidencing the due execution of the Bonds, including statements that

(a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the District nor the title of any of the officers thereof to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (iv) a Tax Certificate executed by the President of the Board of Education, as described under "*Tax Matters*," herein.

DISCLOSURE UNDERTAKING

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

Prior Compliance History

Pursuant to Undertakings previously entered into by the District, the District is required to file the Statement of Financial and Operating Information within 180 days of the end of the fiscal year along with audited financial statements, if available. If the audited financial statement is not available at such time, it is filed following the receipt by the District of the audited financial statement for the preceding fiscal year, but in no event, not later than the last business day of each such succeeding fiscal year.

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
2012	12/19/2012	12/19/2012
2013	12/30/2013	12/30/2013
2014	12/23/2014	11/06/2014
2015	12/09/2015	11/03/2015
2016	12/27/2016	10/24/2016

On October 10, 2013, the District filed a material event notice regarding the status of the ratings of the bond insurers on various bonds issued by the District. Since the fall of 2008, there have been in excess of 25 rating actions on bond insurers reported by Moody's, Standard & Poor's and Fitch. Due to widespread knowledge of the downgrades to such bond insurers, material event notices were not filed pursuant to every rating action.

The underlying credit of the District was not affected by downgrades to the bond insurance companies.

Annual information for fiscal years ending June 30, 2009, June 30, 2011 and June 30, 2013 were each filed with EMMA more than 180 days following the end of each respective fiscal year; but in no event later than 184 days following the end of each respective year. Such confusion arouses from the miscalculation of 180 days from the end of each respective fiscal year. Such matter has been remedied and all future annual disclosure documents will be filed on a timely basis.

On April 16, 2010, Moody's Investor Services recalibrated the U.S. Municipal ratings from municipal scale to the global scale. The District's rating was recalibrated to "Aa2." As this was a system wide recalibration by Moody's and not considered an upgrade, a material event was not filed at the time.

RATING

The District has applied to Moody's Investors Service ("Moody's") for a rating on the Bonds and such rating is pending at this time. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's, 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. 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.

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: (1) 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, and (2) the computations of the yield on both the Government Obligations and the Bonds contained in the provided schedules to be used by Hawkins Delafield & Wood LLP, as Bond Counsel to the District for the Bonds, in its determination that the interest on the Bonds is excludable from gross income for Federal income tax purposes. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

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

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Jeffrey Carlson, Assistant Superintendent for Business Services, Three Village Central School District at Brookhaven and Smithtown, Administration Offices - 100 Suffolk Avenue, Stony Brook, New York 11790, telephone number 631/730-4020 e-mail: jcarlson@3villagecsd.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

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

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

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

By: s/s WILLIAM F. CONNORS JR.
President of the Board of Education and Chief Fiscal Officer
Three Village Central School District of Brookhaven and Smithtown
Stony Brook, New York

August , 2017

APPENDIX A

FINANCIAL INFORMATION

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Assessed and Full Valuations

	Fiscal Year Ending June 30:				
	2013	2014	2015	2016	2017
Assessed Valuation:					
Town of:					
Brookhaven	$ 56,054,699	$ 55,997,150	$ 55,892,652	$ 55,670,010	$ 55,694,246
Smithtown	1,311,693	1,295,605	1,284,280	1,308,958	1,332,296
Total Assessed Valuation	$ 57,366,392	$ 57,292,755	$ 57,176,932	$ 56,978,968	$ 57,026,542
Equalization Rates:					
Town of:					
Brookhaven	0.91%	0.95%	0.95%	0.95%	0.91%
Smithtown	1.37%	1.37%	1.37%	1.30%	1.32%
Full Valuation :					
Town of:					
Brookhaven	$ 6,159,857,032	$ 5,894,436,841	$ 5,883,437,052	$ 5,860,001,053	$ 6,120,246,813
Smithtown	95,744,015	94,569,708	93,743,066	100,689,077	100,931,515
Total Full Valuation	$ 6,255,601,047	$ 5,989,006,549	$ 5,977,180,118	$ 5,960,690,130	$ 6,221,178,328

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Fund Balances

General Fund

	2012	2013	2014	2015	2016
Revenues:					
Real Property Taxes	$ 115,063,575	$ 119,456,150	$ 124,623,919	$ 126,546,273	$ 130,141,360
Other Tax Items-Including Star Reimbursement	13,173,548	13,339,389	13,600,561	13,588,939	13,729,848
Charges for Services	2,904,291	2,609,455	3,231,022	3,367,862	4,349,453
Use of Money and Property	217,477	106,223	157,757	266,520	172,815
Sale of Property & Compensation for Loss	128,249	176,719	67,849	88,658	91,494
Miscellaneous	1,304,266	702,907	633,323	694,904	1,118,025
State Sources	36,123,765	35,873,661	36,879,546	38,099,575	42,377,276
Federal Sources		1,376	15,724	85,344	36,669
Total: Revenues	168,915,171	172,265,880	179,209,701	182,738,075	192,016,940
Expenditures:					
General Support	17,719,767	18,285,149	18,260,192	18,437,349	20,593,260
Instruction	91,444,749	91,572,892	90,934,175	92,987,993	95,948,828
Pupil Transportation	8,064,384	7,855,062	8,188,499	8,295,128	8,379,893
Community Service	1,602,001	1,252,476	1,429,931	1,477,507	1,585,827
Employee Benefits	39,022,543	41,818,311	47,846,714	49,924,444	44,921,280
Debt Service	11,478,472	11,215,414	11,149,786	11,143,349	11,703,527
Total Expenditures	169,331,916	171,999,304	177,809,297	182,265,770	183,132,615
Other Uses:					
Presmiums on Short Term Obligations					1,020,670
Operating Transfers In					1,148,217
Operating Transfers Out	352,140	1,097,396	(1,092,979)	(1,117,818)	(2,121,877)
Excess (Deficit) Revenues Over Expenditures & Other Uses	(768,885)	(830,820)	307,425	(645,513)	8,931,335
Other Changes in Fund Equity			(273,194)		(557,798)
Fund Balance Beg. of Fiscal Year	22,941,143	22,172,258	21,341,438	21,375,669	20,730,156
Fund Balance End of Fiscal Year	$ 22,172,258	$ 21,341,438	$ 21,375,669	$ 20,730,156	$ 29,103,693

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Balance Sheet - General Fund

	2015	2016
ASSETS:		
Cash	$ 41,503,418	$ 46,784,387
Accounts Receivable	25,038	186,163
Due from Other Funds	6,491,008	5,819,776
Due from Other Governments	889,906	582,111
State and Federal Aid Receivable	341,543	2,365,438
Total Assets	$ 49,250,913	$ 55,737,875
LIABILITIES:		
Accounts Payable	$ 3,012,850	$ 2,724,679
Accrued Liabilities	9,172,407	9,299,155
Due to Other Funds	794,246	1,708,117
Due to Teachers' Retirement System	13,831,458	11,228,826
Due to Employees' Retirement System	1,062,859	994,873
Compensated Absences	74,338	44,600
Deferred Revenues	572,599	633,932
Total Liabilities	28,520,757	26,634,182
FUND EQUITY:		
Fund Balances:		
Nonspendable		
Restricted	10,126,839	19,034,274
Assigned	3,326,861	2,111,821
Unassigned	7,276,456	7,957,598
Total Fund Equity	20,730,156	29,103,693
Total Liabilities and Fund Equity	$ 49,250,913	$ 55,737,875

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Budget Summary
General Fund
Fiscal Year Ending June 30:

	2016-17(a)	2017-18(b)
Expenditures:		
General Support	$ 21,167,275	$ 21,938,073
Instruction	103,017,212	106,072,113
Pupil Transportation	8,917,603	9,075,380
Community Service	1,678,734	1,864,754
Employee Benefits	45,340,809	44,726,145
Debt Service & Transfers	18,818,302	20,768,062
Total	$ 198,939,935	$ 204,444,527
Revenues:		
Real Property Taxes	$ 146,991,010	$ 151,992,599
State Aid	46,488,925	46,036,928
Interest Income	175,000	175,000
Other Income	4,285,000	5,240,000
Appropriated Fund Balance	1,000,000	1,000,000
Total	$ 198,939,935	$ 204,444,527

(a) Approved by the voters of the District on May 17, 2016
(b) Approved by the voters of the District on May 16, 2017

THREE VILLAGE CENTRAL SCHOOL DISTRICT
OF BROOKHAVEN AND SMITHTOWN

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT

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THREE VILLAGE CENTRAL SCHOOL DISTRICT

Table of Contents, Continued

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Three Village Central School District
Stony Brook, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of Three Village Central School District (the District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Three Village Central School District as of June 30, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18 and the additional information on pages 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 72 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 12, 2016

THREE VILLAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the Three Village Central School District's (the "District") financial performance for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- The District preserved the integrity of the core instructional programs and continued to support co-curricular and student support services.

- The District's net other post employment benefits obligation amounted to $98,805,551 as of June 30, 2016, which is an increase of $15,756,887 over the prior year amount.

- In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions –An Amendment of GASB Statement No. 27,* the District recorded a net pension liability of $9,343,017 for the Employees' Retirement System, and a net pension asset of $50,052,509 for the Teachers' Retirement System. The net pension liability or asset is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please refer to Note 13 for more information.

- On March 17, 2016, the District issued $16,170,000 in general obligation bonds to advance refund $17,715,000 of 2010 outstanding bonds. These bonds are considered defeased and the liability has been removed from the financial statements. The District refunded the bonds to reduce its total debt service payments over the next 14 years by $2,168,693, resulting in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,927,852.

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:

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

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

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

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

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

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

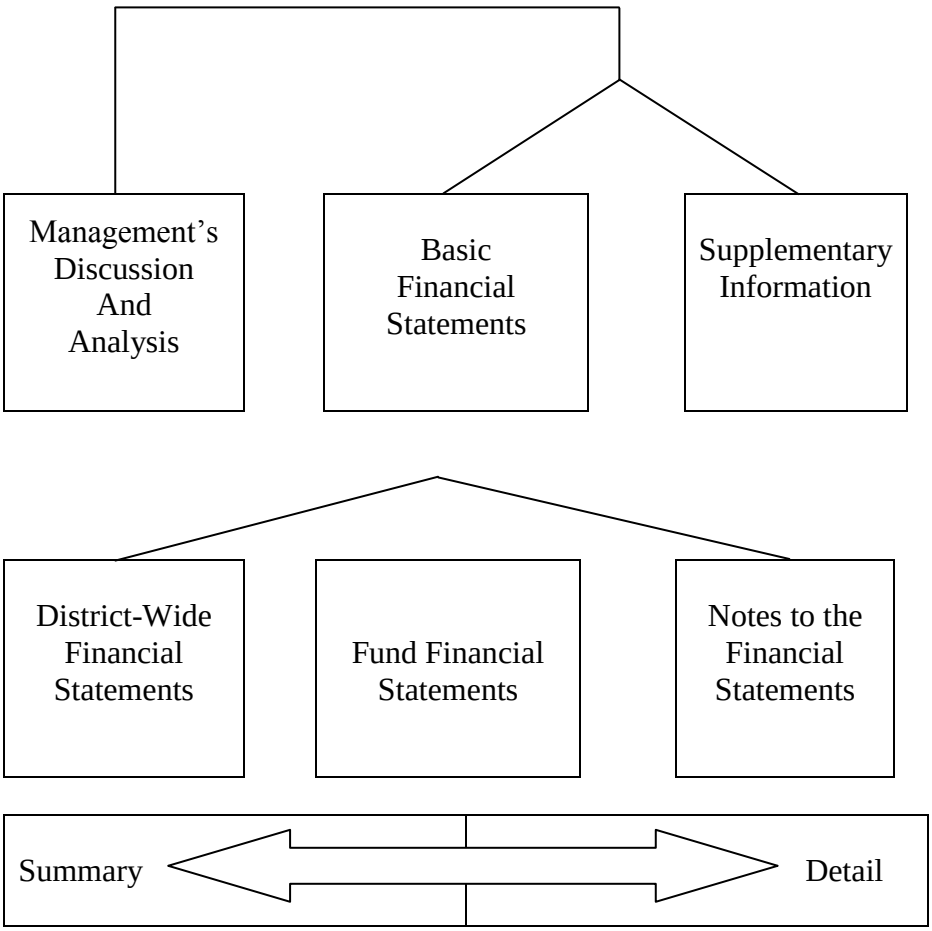


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

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

A) District-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 they have changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

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

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

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

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

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds

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

ii) Fiduciary funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's net position increased by $3,772,439 in the fiscal year ended June 30, 2016 as detailed in Table A-3.

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$64,010,542	51,163,683	12,846,859	25.11%
Capital assets, net	164,295,908	144,591,603	19,704,305	13.63%
Net pension asset - proportionate share	50,052,509	53,637,103	(3,584,594)	-6.68%
Total assets	278,358,959	249,392,389	28,966,570	11.61%
Deferred outflows of resources	19,920,071	14,455,141	5,464,930	37.81%
Other liabilities	$70,679,019	$39,140,452	$31,538,567	80.58%
Long-term liabilities	208,845,485	192,920,898	15,924,587	8.25%
Total liabilities	279,524,504	232,061,350	47,463,154	20.45%
Deferred inflows of resources	20,058,396	36,862,489	(16,804,093)	-45.59%
Net position				
Net investment in capital assets	34,401,517	54,481,276	(20,079,759)	-36.86%
Restricted	19,034,274	10,126,839	8,907,435	87.96%
Unrestricted (deficit)	(54,739,661)	(69,684,424)	14,944,763	21.45%
Total net position	($1,303,870)	(5,076,309)	3,772,439	74.31%

Current assets and other assets increased by $12,846,859 as a result of increased cash due to the increased bond anticipation note (BAN) in the current year, and increased state and federal aid and accounts receivable. Capital assets (net of depreciation) increased by $19,704,305. This was primarily attributable to current year additions from the 2014 bond projects exceeding current year depreciation. The net pension asset of $50,052,509 decreased $3,584,594 as a result of the actuarial valuation provided by the New York State Teachers Retirement System. The change in deferred inflows represent amortization of pension related items as discussed in Note 13, and amortization of the gain on defeasance as discussed in Note 12. The change in deferred outflows represents amortization of pension related information and the change in the District's contributions subsequent to the measurement date for the pension systems.

Other liabilities increased by $31,538,567. This was primarily attributable to the increased amount of the BAN issued, partially offset by decreases in accounts payable and amounts due to the retirement systems. Long-term liabilities increased by $15,924,587 primarily due to the increase in net other post employment benefits payable. This increased by $15,756,887 over the prior year as the actuarial OPEB cost for 2016 exceeded the District's contributions. See Footnote 15 for more information on OPEB.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. The net investment in capital assets decreased over the prior year by $20,079,759 due to capital improvements and the principal payments on debt being offset by the increase in gain on defeasance and the bond anticipation note.

The restricted net position in the amount of $19,034,274 refers to the District's reserves: workers' compensation, unemployment, retirement contribution and employee benefit accrued liability. This amount increased by $8,907,435 from the prior year. The increase is attributable to allocating interest to the reserves in the amount of $15,401, and funding to the reserves of $8,892,034.

Unrestricted net position relates to the balance of the District's net position. This amount, a deficit of $54,739,661 is a decrease to the deficit of $14,944,763 from the prior year. Net position overall increased by $3,772,439.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2015 and 2016 is as follows:

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$6,011,086	$5,113,573	$897,513	17.55%
Operating grants	3,856,144	3,915,345	(59,201)	-1.51%
Capital grants	-	256,293	(256,293)	N/A
General revenues				
Property taxes and other tax items	143,871,208	140,135,212	3,735,996	2.67%
State sources	42,377,276	38,099,575	4,277,701	11.23%
Use of money and property	172,815	266,520	(93,705)	-35.16%
Other	2,335,091	887,824	1,447,267	163.01%
Total revenues	198,623,620	188,674,342	9,949,278	5.27%
Expenses				
General support	26,510,966	23,335,670	3,175,296	13.61%
Instruction	149,979,531	140,420,287	9,559,244	6.81%
Pupil transportation	8,846,191	8,683,265	162,926	1.88%
Community services	2,254,609	2,058,578	196,031	9.52%
Debt service - interest	4,514,892	3,893,742	621,150	15.95%
Food service program	2,187,194	2,367,867	(180,673)	-7.63%
Total expenses	194,293,383	180,759,409	13,533,974	7.49%
Other changes in net position	(557,798)	-	(557,798)	N/A
Increase (decrease) in net position	$3,772,439	$7,914,933	($4,142,494)	-52.34%

The District's fiscal year 2016 revenues totaled $198,623,620. (See Table A-4). This is an increase of $9,949,278 or 5.27% over the prior year. Property taxes and other tax items and state sources accounted for most of the District's revenue by contributing approximately 72.42% and 21.34% respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources. State sources increased $4,277,701 over the prior year due to the increase in BOCES state aid received. Other revenues increased $1,447,267 due to receipt of premiums on the BAN and TAN.

The total cost of all programs and services totaled $194,293,383 for fiscal year 2016. This is an increase of $13,533,974 or 7.49% from the prior year. The expenses are predominantly related to general instruction and transporting students, which account for approximately 81.75% of district expenses. (See Table A-6). The District's general support activities accounted for 13.64% of total costs.

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4)

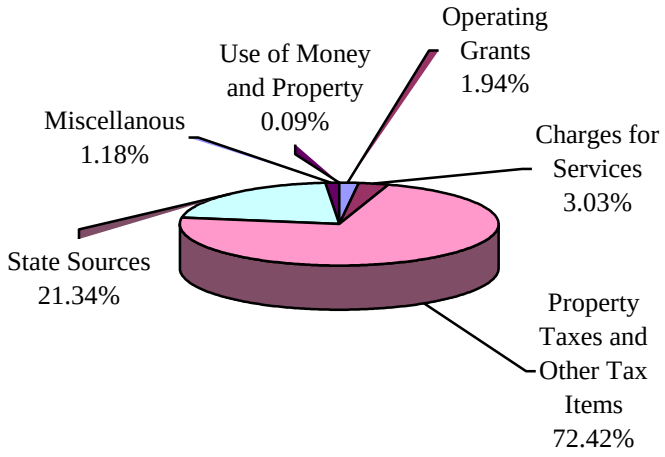
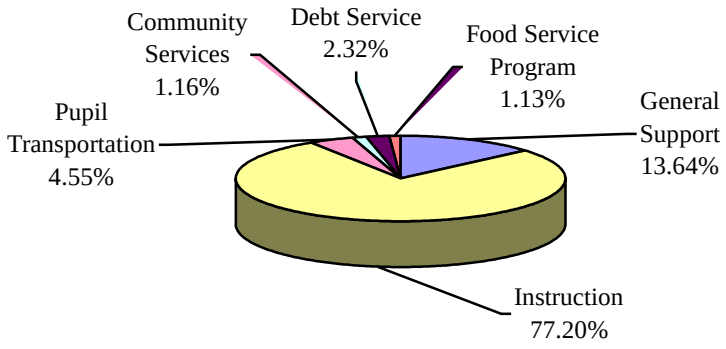


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



C) Governmental Activities

Revenues for the District's governmental activities totaled $198,623,620 while total expenses equaled $194,293,383. The overall good financial condition of the District, as a whole, can be credited to:

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

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
General support	$26,510,966	$23,335,670	$26,510,966	$23,079,377
Instruction	149,979,531	140,420,287	142,609,283	133,897,751
Pupil transportation	8,846,191	8,683,265	8,496,639	8,395,296
Community service	2,254,609	2,058,578	2,254,609	2,058,578
Debt service - interest	4,514,892	3,893,742	4,514,892	3,893,742
Food service program	2,187,194	2,367,867	39,764	149,454
Total	$194,293,383	$180,759,409	$184,426,153	$171,474,198

- The cost of all governmental activities this year was $194,293,383. (Statement of Activities, Expenses column)

- The users of the District's programs financed $6,011,086 of the cost. (Statement of Activities, Charges For Services column)

- The federal and state governments subsidized certain programs with operating grants of $3,856,144. (Statement of Activities, Operating Grants column)

- Most of the District's net costs of $184,426,153 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column).

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, 2016, the District's combined governmental funds reported a total fund balance of a deficit of $5,498,637 which is a decrease of $18,006,663 from the prior year. This decrease is primarily due to a decrease in fund balance in the capital projects fund due to the ongoing projects that have not received permanent financing sources yet, partially offset by the increase in the general fund due to operations.

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

	Fiscal Year 2016	Fiscal Year 2015	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	$3,268,800	$1,961,181	$1,307,619	66.68%
Restricted for unemployement	144,919	144,699	220	0.15%
Restricted for retirement contribution	12,146,026	4,551,707	7,594,319	166.85%
Restricted for employee benefit accrued liability	3,474,529	3,469,252	5,277	0.15%
Assigned- designated for subsequent year's expenditures	1,000,000	2,000,000	(1,000,000)	-50.00%
Assigned for general support	669,166	503,565	165,601	32.89%
Assigned for instruction	440,376	815,459	(375,083)	-46.00%
Assigned for pupil transportation	1,025	7,463	(6,438)	-86.27%
Assigned for community service	1,254	374	880	235.29%
Unassigned	7,957,598	7,276,456	681,142	9.36%
Total fund balance - general fund	29,103,693	20,730,156	8,373,537	40.39%
School Lunch Fund				
Nonspendable	67,321	54,675	12,646	23.13%
Assigned	655,450	601,887	53,563	8.90%
Total fund balance - school lunch fund	722,771	656,562	66,209	10.08%
Capital Projects Fund				
Restricted for unspent debt proceeds	241,879	3,714,428	(3,472,549)	-93.49%
Unassigned	(35,566,980)	(12,593,120)	(22,973,860)	-182.43%
Total fund balance - capital projects fund	(35,325,101)	(8,878,692)	(26,446,409)	-297.86%
Total fund balance - all funds	($5,498,637)	$12,508,026	($18,006,663)	-143.96%

The District can attribute changes to the fund balance in the general fund primarily due to operating results in which revenues and other sources of $194,185,827 exceeded expenditures and other uses of $185,254,492, resulting in an increase in the general fund fund balance of $8,931,335, when combined with the other changes in fund balance of $557,798, resulted in a net increase of $8,373,537.

The change in the restricted fund balance for workers' compensation, unemployment, retirement contributions, and employee benefit accrued liability reserve is due to interest being allocated as well as funding to the reserves, as discussed on the next page.

The net change in the fund balance of the school lunch fund of $66,209 was the operating profit of the school lunch fund for the current year.

The net change in the fund balance of the capital projects fund of a decrease of $26,446,409 can be primarily attributed to the District spending $27,078,192 on capital projects, with current year funding by general fund budgeted transfers in the amount of $1,780,000. The District has not obtained the bond authorized for the 2014 bond projects yet.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2015-2016 Budget

The District's general fund adopted budget for the year ended June 30, 2016 was $189,589,217. This amount was increased by encumbrances carried forward from the prior year in the amount of $1,326,861, which resulted in an original budget of $190,916,078. As there were no budget amendments during the year, the final budget was also $190,916,078. The majority of the funding was from property taxes and other tax items of $143,527,194.

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 of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	$ 7,276,456
Revenues over budget	6,596,610
Expenditures and encumbrances under budget	4,549,765
Other changes in fund balance	(557,798)
Interest transferred to reserves	(15,401)
Funding to reserves	(8,892,034)
Assigned for June 30, 2017 budget	(1,000,000)
Closing, unassigned fund balance	$ 7,957,598

The opening unassigned fund balance of $7,276,456 is the June 30, 2015 unassigned fund balance.

The revenues over budget in the amount of $6,596,610 were primarily in the charges for services, state aid, premiums on short term obligations, and transfers from other funds line. The District received increased BOCES aid during the year, as well as a premium on the BAN for $705,160 and on the TAN of $315,510. The capital projects fund also returned $1,148,217 in unspent bond proceeds from completed capital projects to the general fund to offset current year debt payments. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of $4,549,765 were primarily attributable to the following expenditures: programs for children with handicapping conditions, pupil transportation, and employee benefits (see Supplemental Schedule #1 for detail).

The other changes in fund balance of $557,798 represents a write off of receivables in the special aid fund, and is discussed further in Note 19.

Interest of $15,401 was transferred to the reserves for the following amounts: $2,982 to the workers' compensation reserve, $220 to the unemployment reserve, $6,922 to the retirement contribution reserve, and $5,277 to the employee benefit accrued liability reserve.

The District funded $1,304,637 to the workers' compensation reserve, and $7,587,397 to the retirement contribution reserve.

The assigned, appropriated fund balance of $1,000,000 for the June 30, 2017 budget is the amount the District has chosen to use to partially fund its operating budget for 2016-2017.

The District will close the 2015-2016 fiscal year with $7,957,598 in unassigned fund balance. NYS Real Property Tax Law restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2016. 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 2016	Fiscal Year 2015	Increase (Decrease)	Percentage Change
Land and land improvements	$2,023,365	2,023,365	-	0.00%
Construction in progress	37,947,561	13,209,543	24,738,018	187.27%
Buildings & building improvements	198,245,174	195,905,001	2,340,173	1.19%
Vehicles	1,047,013	1,047,013	-	0.00%
Furniture, machinery, equipment	8,629,488	8,849,279	(219,791)	-2.48%
Subtotal	247,892,601	221,034,201	26,858,400	12.15%
Less: accumulated depreciation	83,596,693	76,442,598	7,154,095	9.36%
Total net capital assets	$164,295,908	144,591,603	19,704,305	13.63%

The District spent $27,078,192 in the capital projects fund on building improvements, additions and equipment purchases during the year and as a result, has a deficit fund balance of $35,325,101, as the District has not yet obtained permanent financing for the 2014 bond projects. The District also disposed of assets with a net book value of $30,863.

B) Long-Term Debt

At June 30, 2016, the District had total debt payable of $84,406,108. The serial bonds were issued for district-wide projects. The energy performance debt was issued to provide building upgrades, district wide, designed to reduce energy use and expense. The decrease in outstanding serial bond debt represents principal payments, as well as the reduction in outstanding principal due to the bond refunding. The decrease in energy performance debt payable represents principal payments.

More detailed information about the District's long-term debt is presented in Note 11. A summary of outstanding debt at June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)
Serial bonds payable	$70,750,000	$79,005,000	($8,255,000)
Energy performance debt payable	13,656,108	14,764,754	(1,108,646)
Total	$84,406,108	$93,769,754	($9,363,646)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2016-2017 school year was approved by the voters in the amount of $198,939,935, which includes a special transportation proposition that was approved to eliminate the minimum mileage eligibility for grades 7 to 12, for $160,000. This is an increase of $9,350,718, or 4.93% over the previous year's adopted budget. The increase was primarily due to increases in instruction, as well as debt service and interfund transfers expenditures.

- The 2016-2017 budget not only preserves all core educational programs, but also provides enhanced learning opportunities, expanding in areas such computer science, American Sign Language, writing instruction, and also supports safety, security and building initiatives district-wide.

- NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval

would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

- The District issued $26,000,000 in tax anticipation notes on August 25, 2016, maturing on June 27, 2017 with a stated interest rate of 2.0%, but an effective interest rate of .6840% due to premiums received.

- The District redeemed $44,000,000 in bond anticipation notes on August 25, 2016 by issuing serial bonds (discussed below) and through District appropriations.

- The District issued $54,155,000 in serial bonds on August 25, 2016 pursuant to the voter approved authorization on February 4, 2014 which was for estimated costs not to exceed $56,156,066.

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:

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Current assets	
Cash	
Unrestricted	$39,122,278
Restricted	19,276,153
Receivables	
State and federal aid	4,739,189
Due from other governments	582,111
Due from fiduciary funds	926
Accounts receivable	222,564
Inventories	67,321
Non-current assets	
Capital assets not being depreciated	39,970,926
Capital assets being depreciated, net of accumulated depreciation	124,324,982
Net pension asset - proportionate share	50,052,509
TOTAL ASSETS	278,358,959
DEFERRED OUTFLOWS OF RESOURCES -Pensions	19,920,071
LIABILITIES	
Payables	
Accounts payable	$3,175,273
Accrued liabilities	9,334,050
BAN interest payable	719,475
Bond interest payable	325,529
Energy performance interest payable	124,836
Bond anticipation note payable	44,000,000
Due to other governments	264
Due to fiduciary funds	14,762
Due to teachers' retirement system	11,228,826
Due to employees' retirement system	994,873
Compensated absences payable	44,600
Unearned credits	
Collections in advance	716,531
Long-term liabilities	
Due and payable within one year	
Bonds payable	6,965,000
Energy performance debt payable	1,132,370
Compensated absences payable	30,799
Due and payable after one year	
Bonds payable	63,785,000
Energy performance debt payable	12,523,738
Termination benefits payable	4,605,000
Compensated absences payable	8,386,209
Claims payable	3,268,801
Net other post employment benefits obligation payable	98,805,551
Net pension liability - proportionate share	9,343,017
TOTAL LIABILITIES	279,524,504
DEFERRED INFLOWS OF RESOURCES	
Pensions	18,328,234
Gain on defeasance	1,730,162
TOTAL DEFERRED INFLOWS OF RESOURCES	20,058,396
NET POSITION	
Net investment in capital assets	34,401,517
Restricted	
Workers' compensation	3,268,800
Unemployment insurance	144,919
Retirement contributions	12,146,026
Employee benefit accrued liability	3,474,529
	19,034,274
Unrestricted (deficit)	(54,739,661)
TOTAL NET POSITION	$ (1,303,870)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	$ (26,510,966)	-	-	(26,510,966)
Instruction	(149,979,531)	4,349,453	3,020,795	(142,609,283)
Pupil transportation	(8,846,191)	-	349,552	(8,496,639)
Community services	(2,254,609)	-	-	(2,254,609)
Debt service - interest	(4,514,892)	-	-	(4,514,892)
Food service program	(2,187,194)	1,661,633	485,797	(39,764)
TOTAL FUNCTIONS AND PROGRAMS	$ (194,293,383)	6,011,086	3,856,144	(184,426,153)
GENERAL REVENUES				
Real property taxes				130,141,360
Other tax items - including STAR reimbursement				13,729,848
Use of money & property				172,815
Sale of property & compensation for loss				91,494
Miscellaneous				2,243,597
State sources				42,377,276
TOTAL GENERAL REVENUES				188,756,390
CHANGE IN NET POSITION				4,330,237
OTHER CHANGES IN NET POSITION (SEE FOOTNOTE 19)				(557,798)
TOTAL CHANGE IN NET POSITION				3,772,439
TOTAL NET POSITION - BEGINNING OF YEAR				(5,076,309)
TOTAL NET POSITION - END OF YEAR				$ (1,303,870)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$27,750,113	632,891	703,800	-	10,035,474	39,122,278
Restricted	19,034,274	-	-	-	241,879	19,276,153
Receivables						
State and federal aid	2,365,438	2,347,064	26,687	-	-	4,739,189
Due from other governments	582,111	-	-	-	-	582,111
Accounts receivable	186,163	-	36,401	-	-	222,564
Due from other funds	5,819,776	1,692,284	1,071	-	-	7,513,131
Inventories	-	-	67,321	-	-	67,321
TOTAL ASSETS	$55,737,875	4,672,239	835,280	-	10,277,353	71,522,747
LIABILITIES AND FUND BALANCES						
Payables						
Accounts payable	2,724,679	1,996	1,276	-	447,322	3,175,273
Accrued liabilities	9,299,155	6,525	28,370	-	-	9,334,050
Bond anticipation note payable	-	-	-	-	44,000,000	44,000,000
Due to other governments	-	-	264	-	-	264
Due to other funds	1,708,117	4,663,718	-	-	1,155,132	7,526,967
Due to teachers' retirement system	11,228,826	-	-	-	-	11,228,826
Due to employees' retirement system	994,873	-	-	-	-	994,873
Compensated absences payable	44,600	-	-	-	-	44,600
Collections in advance	633,932	-	82,599	-	-	716,531
TOTAL LIABILITIES	26,634,182	4,672,239	112,509	-	45,602,454	77,021,384
FUND BALANCES						
Nonspendable :Inventory	-	-	67,321	-	-	67,321
Restricted						
Workers' compensation	3,268,800	-	-	-	-	3,268,800
Unemployment insurance	144,919	-	-	-	-	144,919
Retirement contributions	12,146,026	-	-	-	-	12,146,026
Employee benefit accrued liability	3,474,529	-	-	-	-	3,474,529
Unspent debt proceeds	-	-	-	-	241,879	241,879
Assigned						
Appropriated fund balance	1,000,000	-	-	-	-	1,000,000
Unappropriated fund balance	1,111,821	-	655,450	-	-	1,767,271
Unassigned	7,957,598	-	-	-	(35,566,980)	(27,609,382)
TOTAL FUND BALANCES	29,103,693	-	722,771	-	(35,325,101)	(5,498,637)
TOTAL LIABILITIES AND FUND BALANCES	$55,737,875	4,672,239	835,280	-	10,277,353	71,522,747

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016

Total Governmental Fund Balances		($5,498,637)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are and the assets do not appear on the Balance Sheet. The Statement of Net Position incurred, include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$247,892,601	
Accumulated depreciation	(83,596,693)	164,295,908
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, for TRS, at year-end was:		50,052,509
Deferred outflows of resources related to pensions will be recorded on the Statement of Net Position and amortized as pension expense in future years.		19,920,071
Statement of Net Position and amortized as a reduction of pension expense in future years.		(18,328,234)
Deferred amounts on refunding - The Statement of Net Position will amortize certain long-term debt credits received over the life of the bond. Governmental funds record the long-term credits as revenue.		(1,730,162)
Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:		
BAN interest payable	(719,475)	
Bond interest payable	(325,529)	
Energy performance interest payable	(124,836)	(1,169,840)
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	(70,750,000)	
Energy performance debt payable	(13,656,108)	
Termination benefits payable	(4,605,000)	
Compensated absences payable	(8,417,008)	
Claims payable	(3,268,801)	
Net other post employment benefits obligation payable	(98,805,551)	
Net pension liability - proportionate share - ERS	(9,343,017)	(208,845,485)
Total Net Position		$ (1,303,870)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$130,141,360	-	-	-	-	130,141,360
Other tax items - including STAR reimbursement	13,729,848	-	-	-	-	13,729,848
Charges for services	4,349,453	-	-	-	-	4,349,453
Use of money and property	172,815	-	-	-	-	172,815
Sale of property and compensation for loss	91,494	-	-	-	-	91,494
Miscellaneous	1,118,025	-	104,902	-	-	1,222,927
State sources	42,377,276	1,535,877	28,387	-	-	43,941,540
Federal sources	36,669	1,797,801	309,367	-	-	2,143,837
Surplus food	-	-	148,043	-	-	148,043
Sales	-	-	1,661,633	-	-	1,661,633
TOTAL REVENUES	192,016,940	3,333,678	2,252,332	-	-	197,602,950
EXPENDITURES						
General support	20,593,260	-	-	-	-	20,593,260
Instruction	95,948,828	3,324,932	-	-	-	99,273,760
Pupil transportation	8,379,893	349,552	-	-	-	8,729,445
Community service	1,585,827	-	-	-	-	1,585,827
Employee benefits	44,921,280	-	-	-	-	44,921,280
Debt service - principal	7,818,646	-	-	-	-	7,818,646
Debt service - interest	3,884,881	-	-	-	-	3,884,881
Cost of sales	-	-	2,187,194	-	-	2,187,194
Capital outlay	-	-	-	-	27,078,192	27,078,192
TOTAL EXPENDITURES	183,132,615	3,674,484	2,187,194	-	27,078,192	216,072,485
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,884,325	(340,806)	65,138	-	(27,078,192)	(18,469,535)
OTHER FINANCING SOURCES AND USES						
Premiums on short term obligations	1,020,670	-	-	-	-	1,020,670
Proceeds from refunded bonds issued	-	-	-	16,170,000	-	16,170,000
Bond premium	-	-	-	2,879,024	-	2,879,024
Payments to escrow agent (advanced refunding)	-	-	-	(18,863,829)	-	(18,863,829)
Bond issuance costs	-	-	-	(185,195)	-	(185,195)
Operating transfers in	1,148,217	340,806	1,071	-	1,780,000	3,270,094
Operating transfers (out)	(2,121,877)	-	-	-	(1,148,217)	(3,270,094)
'TOTAL OTHER FINANCING SOURCES AND (USES)	47,010	340,806	1,071	-	631,783	1,020,670
CHANGE IN FUND BALANCES	8,931,335	-	66,209	-	(26,446,409)	(17,448,865)
OTHER CHANGES IN FUND BALANCES (SEE NOTE 19)	(557,798)	-	-	-	-	(557,798)
TOTAL CHANGE IN FUND BALANCES	8,373,537	-	66,209	-	(26,446,409)	(18,006,663)
FUND BALANCES - BEGINNING OF YEAR	20,730,156	-	656,562	-	(8,878,692)	12,508,026
FUND BALANCES - END OF YEAR	$29,103,693	-	722,771	-	(35,325,101)	(5,498,637)

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL 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, 2016

Net Change in Fund Balances		$ (18,006,663)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		
Increase in compensated absences payable		(662,384)
Increase in termination benefits payable		(1,575,000)
Increase in net other post employment benefits obligation payable		(15,756,887)
Decrease in claims payable		144,286
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	$13,362,153	
Employees' retirement system	(440,811)	12,921,342
Long-Term Debt Transactions		
Bond issuance costs related to the refunding of debt are expensed in the current year. The amount of bond issuance costs related to the refunding that occurred during the June 30, 2016 fiscal year was:		(185,195)
Repayment of bond principal and energy performance debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		7,818,646
Governmental funds report the premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization for the 2012 and 2016 gain on defeasance is:		55,034
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2015 to June 30, 2016 changed by:		(685,045)
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	$27,387,358	
Depreciation/loss on disposal expense	(7,683,053)	19,704,305
Change in Net Position of Governmental Activities		$3,772,439

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Restricted Cash	$67,378	710,948
Due from governmental funds	-	14,762
TOTAL ASSETS	$67,378	725,710
LIABILITIES		
Due to governmental funds	-	926
Extraclassroom activity balance	-	581,227
Other liabilities	-	143,557
TOTAL LIABILITIES	-	725,710
NET POSITION		
Restricted for scholarships	67,378	
TOTAL NET POSITION	$67,378	

See Accompanying Notes to Financial Statements

THREE VILLAGE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$8,750
Interest and earnings	53
TOTAL ADDITIONS	8,803
DEDUCTIONS	
Scholarships and awards	12,350
TOTAL DEDUCTIONS	12,350
CHANGE IN NET POSITION	(3,547)
NET POSITION - BEGINNING OF YEAR	70,925
NET POSITION - END OF YEAR	$67,378

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting Entity:

The laws of New York govern the District. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary 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).

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

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

Debt Service Fund: This fund is used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness to being financed by governmental funds.

Fiduciary Fund: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

D) Measurement Focus and Basis of Accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

Budget Basis of Accounting

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

E) Real Property Taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven and Town of Smithtown during 2015-2016.

ii) Enforcement

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

F) Restricted Resources:

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

G) Interfund Transactions:

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

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

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

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

H) Estimates:

The preparation of financial statements in accordance 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 encumbrances, compensated absences, other postemployment benefits, workers' compensation claims liability, pension activity, potential contingent liabilities and useful lives of long-lived assets.

I) Cash and Cash Equivalents:

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

J) Receivables:

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

K) Inventories and Prepaid Items:

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items as of June 30, 2016.

L) Capital Assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market 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	$1,500	Straight-line	30-50 years
Land improvements	$1,500	Straight-line	20 years
Furniture & equipment	$1,500	Straight-line	5-20 years

M) Collections in Advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded. Collections in advance as of June 30, 2016 consisted of funds received for summer programs in the general fund, and prepaid balances for meals in the school lunch fund.

N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position 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. The District has one item that qualifies for reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes of assumptions (ERS), changes in proportion and differences between employer contributions and proportionate share of contributions (ERS and TRS), and the District's contributions to the pension systems (ERS and TRS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualifies for reporting in this category. The first item is a deferred gain on refunding which resulted from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the differences between expected and actual experience (ERS and TRS), the net difference between projected and actual earnings on pension plan investments (TRS), and changes in proportion (TRS).

O) Vested Employee Benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain

collective bargained agreements require these compensated absences to be paid in the form of non-elective contributions to the employee's 403(b) plan.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting termination method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Termination benefits:

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

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

P) Other Benefits:

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure as the liability for premiums mature (come due for payments). In the District-Wide Financial Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q) Short-term Debt:

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

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

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

R) Accrued Liabilities and Long-term Obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, 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.

S) Equity Classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unspent proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

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

ii) Fund Financial Statements:

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

(1) **Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of $67,321.

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for financing retirement contributions. 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. This reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Unspent debt proceeds

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

Scholarships

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

(3) **Committed** fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2016.

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

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

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

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T) Future Changes in Accounting Standards:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 77, *Tax Abatement Disclosures,* effective for the year ending June 30, 2017. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

GASB has issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* which is effective for the year ended June 30, 2017. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

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

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

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

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations that occurred during the fiscal year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

B) Restricted Cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2016 included $19,276,153 within in the governmental funds for capital projects and general reserve purposes and $778,326 within the fiduciary funds.

C) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year, the District was billed $8,630,798 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,352,028. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2016 consisted of the following:

General fund	
Excess cost aid	$782,470
BOCES aid	1,576,635
Medicaid	6,333
Total	2,365,438
Special aid fund	
Federal aid	1,409,380
State and local aid	937,684
Total	2,347,064
School lunch fund	
Breakfast - federal aid	620
Lunch - federal aid	20,838
Breakfast - state aid	101
Lunch - state aid	5,128
Total	26,687
Total state and federal aid receivable	$ 4,739,189

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2016 consisted of the following:

Foster tuition	$496,939
Health and welfare services	4,095
Special education services	81,077
Total Due from other governments	$582,111

District management has deemed these amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$2,023,365	-	-	$2,023,365
Construction in progress	13,209,543	$25,598,229	($860,211)	37,947,561
Total capital assets not being depreciated	15,232,908	25,598,229	(860,211)	39,970,926
Capital assets that are depreciated:				
Building & building improvements	195,905,001	1,479,962	860,211	198,245,174
Vehicles	1,047,013	-	-	1,047,013
Furniture and equipment	8,849,279	309,167	(528,958)	8,629,488
Total capital assets being depreciated	205,801,293	1,789,129	331,253	207,921,675
Less accumulated depreciation:				
Building & building improvements	69,699,152	6,902,683	-	76,601,835
Vehicles	783,107	58,014	-	841,121
Furniture and equipment	5,960,339	691,493	(498,095)	6,153,737
Total accumulated depreciation	76,442,598	7,652,190	(498,095)	83,596,693
Total capital assets being depreciated, net	129,358,695	(5,863,061)	829,348	124,324,982
Total capital assets, net	$144,591,603	$19,735,168	($30,863)	$164,295,908

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

General Support	$87,538
Instruction	7,595,515
	$7,683,053

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$5,819,776	$1,708,117	$1,148,217	$2,121,877
Special aid fund	1,692,284	4,663,718	340,806	-
School lunch fund	1,071	-	1,071	-
Capital projects fund	-	1,155,132	1,780,000	1,148,217
Total government activities	7,513,131	7,526,967	3,270,094	3,270,094
Fiduciary agency fund	14,762	926	-	-
Totals	$7,527,893	$7,527,893	$3,270,094	$3,270,094

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

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

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

NOTE 10 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2016	1.75%		$ 26,000,000	$ 26,000,000	
BAN	8/28/2015	1.25%	$ 8,000,000		8,000,000	
BAN	8/26/2016	1.75% - 2.00%		44,000,000		$ 44,000,000
Total			$ 8,000,000	$ 70,000,000	$ 34,000,000	$ 44,000,000

The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations, and the Bond Anticipation Notes (BAN) were issued for interim financing of the capital projects fund.

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

	Total
Interest paid	$479,167
Plus interest accrued in the current year	719,475
Total expense	$1,198,642

There was no interest accrued in the prior year.

NOTE 11 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Reclassed/ Issued	Reclassed/ Redeemed	Ending Balance	Due Within One Year
General obligation debt:					
Construction serial bonds	$79,005,000	$16,170,000	$24,425,000	$70,750,000	$6,965,000
Energy performance debt payable	14,764,754	-	1,108,646	13,656,108	1,132,370
Other liabilities:					
Termination benefits payable	3,030,000	$1,575,000	-	4,605,000	-
Compensated absences payable	7,754,624	$785,630	123,246	8,417,008	30,799
Claims payable	3,413,087	606,476	750,762	3,268,801	-
Net other post employment benefits obligation	83,048,664	25,130,364	9,373,477	98,805,551	-
Net pension liability -proportionate share	1,904,769	10,598,712	3,160,464	9,343,017	-
Total long-term liabilities	$192,920,898	$54,866,182	$38,941,595	$208,845,485	$8,128,169

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

A) Bonds Payable:

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial Bonds -Refunding 2012	6/27/2012	4/15/2018	2 - 4%	$885,000
Serial Bonds	8/4/2005	6/1/2020	3.25 - 5.0%	8,085,000
Serial Bonds	5/15/2008	5/15/2023	3.0-4.125%	2,685,000
Serial Bonds	12/1/2008	6/1/2024	4.0-4.50%	9,450,000
Serial Bonds	5/1/2009	5/1/2030	3.25-4.75%	26,330,000
Serial Bonds	1/27/2010	12/15/2029	3.0-4.0%	2,310,000
Serial Bonds	11/30/2010	5/15/2026	2.75-4.25%	4,835,000
Serial Bonds - Refunding 2016	3/17/2016	12/15/2029	4%	16,170,000
	Total Bonds payable			$70,750,000

On March 17, 2016, $16,170,000 in general obligation bonds with an average interest rate of 4.0% were issued to advance refund $17,715,000 of 2010 outstanding bonds with an average interest rate of 3.50%. The net proceeds of $18,863,829 (after premium received of $2,879,024 and payment of $185,195 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2010 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The 2010 bonds are callable in December 2017. The District advance refunded the 2010 bonds to reduce its total debt service payments over the next 14 years by $2,168,393

resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,927,852.

Unissued Debt

On February 4, 2014, voters approved a bond authorization for a total estimated cost not to exceed $56,156,066 for district-wide repairs, replacement and/or reconstruction projects. The District has not issued this debt as of June 30, 2016, leaving authorized but unissued debt in the amount of $56,156,066. The District, however, has issued a Bond Anticipation Note for $44,000,000 for interim financing of these projects during the year.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$6,965,000	2,946,006	9,911,006
2018	7,145,000	2,662,731	9,807,731
2019	6,785,000	2,365,556	9,150,556
2020	6,400,000	2,074,106	8,474,106
2021	4,985,000	1,802,406	6,787,406
2022-2026	23,485,000	5,879,525	29,364,525
2027-2030	14,985,000	1,546,863	16,531,863
Total	$70,750,000	$19,277,193	$90,027,193

B) Energy Performance Debt:

Energy performance debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance debt	3/8/2012	3/1/2025	2.43%	$7,477,135
Energy performance debt	1/27/2015	1/15/2030	2.27%	6,178,973
	Total energy performance debt payable			$13,656,108

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$1,132,370	315,270	1,447,640
2018	1,159,440	288,200	1,447,640
2019	1,187,157	260,483	1,447,640
2020	1,215,537	232,103	1,447,640
2021	1,244,597	203,043	1,447,640
2022-2026	5,748,192	560,041	6,308,233
2027-2030	1,968,815	101,881	2,070,696
Total	$13,656,108	$1,961,021	$15,617,129

C) Long-term Interest:

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

	Total
Interest paid	$3,405,714
Less interest accrued in the prior year	(484,795)
Plus interest accrued in the current year	450,365
Less amortization of deferred amounts on refunding	(55,034)
Total expense	$3,316,250

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

The gain on defeasance pertaining to the 2003 bond refunded in 2012, and the 2010 bond refunded in 2016, as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2016 consisted of the following:

	2003 Bond	2010 Bond	Total
Gain on defeasance	$110,000	1,730,195	$1,840,195
Accumulated amortization	(73,332)	(36,701)	(110,033)
Balance of gain on defeasance	$36,668	1,693,494	$1,730,162

The gain on defeasance on the advanced refundings are being amortized on the District-Wide Financial Statements using the straight-line method over 6 years for the 2003 bond, and 15 years for the 2010 bond, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction to interest expense.

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. 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 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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:

	NYSERS	NYSTRS
2015-2016	$3,091,745	$10,057,742
2014-2015	$3,208,082	$12,689,336
2013-2014	$3,344,752	$11,558,037

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

At June 30, 2016, 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, 2016 for ERS and June 30, 2015 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, 2016	June 30, 2015
Net pension asset/(liability)	$ (9,343,017)	$ 50,052,509
District's portion of the Plan's total net pension asset/(liability)	0.0582109%	0.481885%
Change in proportionate share since prior measurement date	0.0018275%	0.000376%

For the year ended June 30, 2016, the District recognized a reduction in pension expense of ($3,304,411) for TRS and pension expense of $3,533,289 for ERS. At June 30, 2016 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	$ 47,213	-	1,107,459	1,387,169
Net difference between projected and actual earnings on pension plan investments	5,542,790	-	-	15,821,858
Changes of assumptions	2,491,501	-	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	722,324	63,628	-	11,748
District's contributions subsequent to the measurement date	994,873	10,057,742	-	-
	$9,798,701	10,121,370	1,107,459	17,220,775

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Fiscal Year ended:		
2017	$ 1,961,145	$ (6,375,528)
2018	$ 1,961,145	$ (6,375,528)
2019	$ 1,961,145	$ (6,375,528)
2020	$ 1,803,409	$ 2,637,293
2021	$ 1,812,934	$ (166,858)
Thereafter		$ (500,998)

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, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.50%	3.0%

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, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 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, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return

by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Asset type		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real estate	8.25%	4.60%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bonds and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Mortgages		3.40%
Short-term		1.20%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% 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 8.0% 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 7.0% for TRS) or 1-percentagepoint higher (8.0% for ERS and 9.0% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset (liability)	($21,067,825)	($9,343,017)	$563,944

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension asset (liability)	($3,414,227)	$50,052,509	$95,648,407

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, 2015	June 30, 2014
Employers' total pension liability	$ (172,303,544)	$ (99,332,104)
Plan fiduciary net position	156,253,265	109,718,917
Employers' net pension asset/(liability)	$ (16,050,279)	$ 10,386,813
Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	90.7%	110.46%

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to $994,873.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to $11,228,826.

NOTE 14 – OTHER RETIREMENT PLANS:

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 expensed by the District and the employees for the year ended June 30, 2016, totaled $375,000 and $4,579,415 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code section 457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2016 totaled $563,044.

NOTE 15 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District primarily provides post employment hospital, medical and prescription drug benefit coverage to retired employees and their spouses and eligible dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

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

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment

expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan has obtained an actuarial valuation report as of December 31, 2015 which indicates that the District's allocated liability for other postemployment benefits is $277,224,312. The District's net OPEB obligation at June 30, 2016 is $98,805,551 which is reflected in the Statement of Net Position.

B) Funding Policy:

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2016, the District contributed $9,373,477 to the plan, including $9,373,477 for current premiums and Medicare reimbursement and an additional $0 to prefund benefits. Retiree plan members contributed between 0% to 16.5% of the premium costs per month, while surviving spouses and young adults contributed 100%, depending on the type of coverage selected and the District's different bargaining unit agreements. As of the December 31, 2015 valuation, the Plan had 5,155 members comprised of 3,066 retirees, beneficiaries and dependents, and 2,089 active members, of which 1,197 and 709 respectively are District members.

C) Annual OPEB Cost and Net OPEB Obligation:

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's prorated annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan based on the Districts number of active and retired participants. The plan's actuary calculated the following information based on the separate determinations of each district in the Plan.

Annual required contribution	$27,500,454
Interest on net OPEB obligation	3,321,946
Adjustment to Annual Required Contribution	(5,692,036)
Annual OPEB cost (expense)	25,130,364
Contributions made	(9,373,477)
Increase in net OPEB obligation	15,756,887
Net OPEB obligation-beginning of year	83,048,664
Net OPEB obligation-end of year	$98,805,551

The District calculated the current year's interest on the net OPEB obligation and the adjustment to the ARC based on the actuarial assumptions contained in the valuation. These calculations were based on the interest rate of return assumptions and the amortization factor and were performed by the District since an actuarial valuation did not contain these figures.

The District's annual OPEB cost, contributions made, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and the preceding two years were as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$18,887,716	$10,077,969	53%	$74,164,844
6/30/15	$18,535,174	$9,651,354	52%	$83,048,664
6/30/16	$25,130,364	$9,373,477	37%	$98,805,551

D) Funded Status and Funding Progress:

As of December 31, 2015, the actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $277.2 million and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $277.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $91.7 million, and the ratio of the UAAL to the covered payroll was 302%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

E) Actuarial Methods and Assumptions:

In the December 31, 2015 actuarial valuation prepared by an outside actuarial firm, the projected unit credit cost method is used. Since costs are pooled, the actuarial valuation was developed on a pooled basis. Each participating district's share of the actuarial valuation was allocated based on a separate determination of the individual districts. The actuarial assumptions included a 4% investment rate of return, mortality rates, retirement rates and turnover rates. The UAAL uses level dollar amortization over 30 years. The remaining amortization period at June 30, 2016 was 21 years.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to

that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 16 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers outlined in their employment contract. In general, administrators having served at least 10 years employed by the District and 20 years in the New York State Teachers' Retirement System or Employees' Retirement System are entitled to a retirement incentive of $30,000. Teachers having been employed by the District for at least 15 years and have 20 years in the New York State Teachers' Retirement System are entitled to an incentive in the amount of $22,500. The current value of incentive payments earned is $4,605,000 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Nonpool Risk Retained:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2016, the District has incurred but unpaid claims liability in the amount of $3,268,801 and has a workers' compensation reserve balance of $3,268,800. Claims activity for the current and preceding year is summarized below:

	2016	2015
Unpaid claims, beginning of year	$3,413,087	$4,523,959
Incurred claims and claim adjustment expenses	606,476	22,379
Claim payments	(750,762)	(1,133,251)
Unpaid claims, end of year	$3,268,801	$3,413,087

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Grants:

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

B) Litigation:

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

C) Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2016, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General fund	
General support	$440,376
Instruction	669,166
Pupil transportation	1,025
Community service	1,254
	$1,111,821
Assigned and Restricted:	
Capital projects fund	
Capital projects	$2,896,951
Assigned:	
School lunch fund	
Equipment and services	$5,985

NOTE 19 - OTHER CHANGES IN FUND BALANCE AND NET POSITION:

Other changes in fund balance and net position represent a write off of receivables for the Summer School Handicapped program in the federal fund from the 08/09 through 10/11 year, and a historic artifacts grant receivable, that the District has determined are no longer collectible

	Fund balance general fund	Net position
Summer school receivable write off	($507,798)	(507,798)
Historic artifacts grant write off	(50,000)	(50,000)
Total other changes	($557,798)	(557,798)

NOTE 20 – SUBSEQUENT EVENTS:

A) The District issued $26,000,000 in tax anticipation notes on August 25, 2016, maturing on June 27, 2017 with a stated interest rate of 2.0%, but an effective interest rate of .6840% due to premiums received.

B) The District redeemed $44,000,000 in bond anticipation notes on August 25, 2016 by issuing serial bonds (discussed below) and through District appropriations.

C) The District issued $54,155,000 in serial bonds on August 25, 2016 pursuant to the voter approved authorization on February 4, 2014 which was for estimated costs not to exceed $56,156,066.

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local sources				
Real property taxes	$130,527,194	130,527,194	130,141,360	(385,834)
Other real property tax items	13,000,000	13,000,000	13,729,848	729,848
Charges for services	3,295,000	3,295,000	4,349,453	1,054,453
Use of money and property	315,000	315,000	172,815	(142,185)
Sale of property and compensation for loss	-	-	91,494	91,494
Miscellaneous	850,000	850,000	1,118,025	268,025
State sources				
Basic formula	39,602,023	39,602,023	28,224,994	(11,377,029)
Excess cost aid	-	-	4,514,216	4,514,216
Lottery aid	-	-	5,603,268	5,603,268
BOCES aid	-	-	2,352,028	2,352,028
Textbook Aid	-	-	411,420	411,420
Computer software aid	-	-	179,742	179,742
Library A/V loan program aid	-	-	46,006	46,006
Tuition aid	-	-	957,096	957,096
Other State Aid	-	-	88,506	88,506
Federal sources	-	-	36,669	36,669
TOTAL REVENUES	187,589,217	187,589,217	192,016,940	$4,427,723
Other financing sources				
Premiums on short term obligations			1,020,670	1,020,670
Transfers from other funds	-	-	1,148,217	1,148,217
TOTAL REVENUE AND OTHER SOURCES	187,589,217	187,589,217	194,185,827	6,596,610
Appropriated fund balance	2,000,000	2,000,000		
Appropriated reserves	1,326,861	1,326,861		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	190,916,078	190,916,078		

Note to Required Supplementary Information

Budget Basis of Accounting

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	$164,249	174,884	146,382	-	28,502
Central administration	377,664	377,664	381,661	-	(3,997)
Finance	2,035,900	2,051,600	1,991,381	26,779	33,440
Staff	1,358,896	1,367,396	1,248,622	5,598	113,176
Central services	14,900,154	14,903,554	15,022,794	407,999	(527,239)
Special items	1,899,006	1,905,306	1,802,420	-	102,886
Instruction					
Instruction, adm. & imp.	6,793,336	6,774,865	6,991,298	2,660	(219,093)
Teaching - regular schools	53,668,454	53,609,521	53,128,182	270,081	211,258
Programs for children with handicapping conditions	27,575,302	27,435,594	24,593,715	260,012	2,581,867
Occupational education	723,975	723,975	695,874	-	28,101
Teaching special schools	545,737	542,755	485,449	-	57,306
Instructional media	2,543,607	2,544,632	2,275,027	118,708	150,897
Pupil services	8,072,879	8,091,393	7,779,283	17,705	294,405
Pupil transportation	9,208,340	9,349,944	8,379,893	1,025	969,026
Community services	1,628,644	1,653,060	1,585,827	1,254	65,979
Employee benefits	45,542,722	45,542,722	44,921,280	-	621,442
Debt service					
Debt service - principal	7,820,642	7,820,642	7,818,646	-	1,996
Debt service - interest	3,650,071	3,650,071	3,884,881	-	(234,810)
TOTAL EXPENDITURES	188,509,578	188,519,578	183,132,615	1,111,821	4,275,142
Other financing uses					
Transfers to other funds	2,406,500	2,396,500	2,121,877	-	274,623
TOTAL EXPENDITURES AND OTHER USES	$ 190,916,078	190,916,078	185,254,492	1,111,821	4,549,765
NET CHANGE IN FUND BALANCES			8,931,335		
OTHER CHANGES IN FUND BALANCES (SEE NOTE 19)			(557,798)		
FUND BALANCES - BEGINNING OF YEAR			20,730,156		
FUND BALANCES - END OF YEAR			$29,103,693		

Note to Required Supplementary Information

Budget Basis of Accounting

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2016

Actuarial						
Valuation Date	Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
January 1, 2007	$ -	$162,462,523	$162,462,523	0%	$84,853,884	191%
December 31, 2009	$ -	$240,207,386	$240,207,386	0%	$89,329,426	269%
December 31, 2011	$ -	$238,364,540	$238,364,540	0%	$89,475,005	266%
December 31, 2013	$ -	$217,819,769	$217,819,769	0%	$85,148,617	256%
December 31, 2015	$ -	$277,224,312	$277,224,312	0%	$91,770,585	302%

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

NYSERS Pension Plan

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0582109%	0.0563834%	0.0563834%
District's proportionate share of the net pension liability (asset)	$ 9,343,017	$ 1,904,769	$ 2,547,886
District's covered payroll	$ 17,795,350	$ 17,289,597	$ 16,807,381
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	52.50%	11.02%	15.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.95%	97.20%

NYSTRS Pension Plan

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.481885%	0.481509%	0.493719%
District's proportionate share of the net pension liability (asset)	$ (50,052,509)	$ (53,637,103)	$ (3,249,922)
District's covered payroll	$ 77,702,682	$ 74,499,071	$ 73,171,265
District's proportionate share of the net pension liability (asset) as a percentage of its covered -employee payroll	64.42%	72.00%	4.44%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%

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

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

NYSERS Pension Plan

	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 3,091,745	3,208,082	3,344,752	3,052,667	2,671,340	1,976,998
Contributions in relation to the contractually required contribution	3,091,745	3,208,082	3,344,752	3,052,667	2,671,340	1,976,998
Contribution deficiency (excess)	$ -	-	-	-	-	-
District's covered employee payroll	$17,795,350	17,289,597	16,807,381	16,372,235	16,479,292	16,243,544
Contributions as a percentage of covered employee payroll	17.37%	18.55%	19.90%	18.65%	16.21%	12.17%

NYSTRS Pension Plan

	2016	2015	2014	2013	2012	2011
Contractually required contribution	$10,057,742	12,689,336	11,588,037	8,562,584	8,043,989	6,236,528
Contributions in relation to the contractually required contribution	10,057,742	12,689,336	11,588,037	8,562,584	8,043,989	6,236,528
Contribution deficiency (excess)	$ -	-	-	-	-	-
District's covered employee payroll	$77,702,662	74,499,071	73,171,265	74,406,002	74,328,019	74,509,330
Contributions as a percentage of covered employee payroll	12.94%	17.03%	15.84%	11.51%	10.82%	8.37%

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$189,589,217
Add: Prior year's encumbrances	1,326,861
Original Budget	190,916,078
Budget revisions:	-
Final Budget	$190,916,078

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-2017 voter approved expenditure budget		$198,939,935
Maximum allowed (4% of the 2016-2017 budget)		$7,957,598
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$2,111,821	
Unassigned fund balance	7,957,598	
Total unrestricted fund balance		10,069,419
Less:		
Appropriated fund balance	1,000,000	
Encumbrances included in assigned fund balance	1,111,821	
Total adjustments		2,111,821
*General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$7,957,598
Actual percentage		4.00%

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
AS OF JUNE 30, 2016

				Expenditures to Date				Methods of Financing				Fund
Project Title	Project #	Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2016
2014 Bond Projects												
2014 Bond Setauket Phase 3	001-035	$ -	3,297,000	37,448	77,657	115,105	3,181,895	-	-	-	-	(115,105) *
2014 Bond Nassakeag (auditorium)	002-028	500,000	512,000	227,324	6,685	234,009	277,991	-	-	-	-	(234,009) *
2014 Bond Nassakeag Phase 3	002-029	-	3,581,000	45,231	94,497	139,728	3,441,272	-	-	-	-	(139,728) *
2014 Bond Mount Phase 3	006-028	-	3,401,500	43,351	93,248	136,599	3,264,901	-	-	-	-	(136,599) *
2014 Bond Phase 2 Arrowhead	007-028	-	5,004,100	1,347,399	3,811,833	5,159,232	(155,132)	-	-	-	-	(5,159,232) *
2014 Gelinas (lockers, curtains)	008-035	-	1,318,261	926,151	8,780	934,931	383,330	-	-	-	-	(934,931) *
2014 Bond Phase 2 Gelinas	008-036	-	7,512,100	2,079,316	5,263,839	7,343,155	168,945	-	-	-	-	(7,343,155) *
2014 Bond Ward Melville (stairs, lockers)	009-038	2,093,640	2,093,639	2,096,871	158,562	2,255,433	(161,794)	-	-	-	-	(2,255,433) *
2014 Bond Melville Phase 2	009-039	-	10,817,101	2,744,666	7,847,120	10,591,786	225,315	-	-	-	-	(10,591,786) *
2014 Bond Melville	009-040	-	208,800	0	56,381	56,381	152,419	-	-	-	-	(56,381) *
2014 Bond Minnesauke (auditorium)	014-027	500,000	186,000	144,894	6,684	151,578	34,422	-	-	-	-	(151,578) *
2014 Bond Minni Phase 3	014-028	-	4,304,500	36,411	89,243	125,654	4,178,846	-	-	-	-	(125,654) *
2014 Bond Murphy (lockers, curtains)	015-032	-	1,065,953	655,718	6,684	662,402	403,551	-	-	-	-	(662,402) *
2014 Bond Phase 2 Murphy	015-034	-	7,512,100	1,906,136	5,423,187	7,329,323	182,777	-	-	-	-	(7,329,323) *
2014 Bond North Country (exterior lighting)	018-016	-	173,000	158,963	0	158,963	14,037	-	-	-	-	(158,963) *
2014 Bond -North Country Lrng Cnt.	018-020	-	337,000	2,505	108,786	111,291	225,709	-	-	-	-	(111,291) *
2014 Bond Ward Melville Field House	064-001	198,900	198,900	207,031	6,684	213,715	(14,815)	-	-	-	-	(213,715) *
2014 Bond North Country - Maint. Bldg	3071-001	-	2,450,000	701,172	1,200,269	1,901,441	548,559	-	-	-	-	(1,901,441) *
2014 Bond to be allocated		25,216,246	2,183,046	387,092	0	387,092	1,795,954	-	-	-	-	(387,092) *
Subtotal 2014 bond projects		28,508,786	56,156,000	13,747,679	24,260,139	38,007,818	18,148,182	-	-	-	-	(38,007,818)
2015 Energy performance contract		6,554,959	6,554,959	3,683,572	2,680,709	6,364,281	190,678	6,554,959			6,554,959	190,678
2014 Minni Site Development	014-026	-	149,854	138,862	-	138,862	10,992	-	-	149,854	149,854	10,992
2014 Arrow Masonry	007-027	-	21,128	13,862	-	13,862	7,266	-	-	21,128	21,128	7,266
2014 Gelinas	008-034	-	61,278	53,668	-	53,668	7,610	61,278	-	-	61,278	7,610
2014 Gelinas (electric)	008-033	-	32,170	25,110	-	25,110	7,060	32,170	-	-	32,170	7,060
2014 Murphy (electric)	015-031	-	26,278	26,278	-	26,278	-	26,278	-	-	26,278	-
2014 Melville (electric)	009-037	-	72,738	36,207	-	36,207	36,531	72,738	-	-	72,738	36,531
14/15 North Country	018-021	600,000	685,000	-	11,441	11,441	673,559	-	-	685,000	685,000	673,559
14/15 PJG Elevator Repair	008-037	-	95,000	76	94,395	94,471	529	-	-	95,000	95,000	529
15/16 Mount	006-030	300,000	300,000	-	6,072	6,072	293,928	-	-	300,000	300,000	293,928
15/16 Ward Melville	009-042	1,480,000	1,480,000	-	25,436	25,436	1,454,564	-	-	1,480,000	1,480,000	1,454,564
Transfer of surplus funds back to general fund		1,148,217	1,148,217	-	1,148,217	1,148,217	-	791,840	-	356,377	1,148,217	-
TOTAL		$ 38,591,962	$ 66,782,622	$ 17,725,314	$ 28,226,409	$ 45,951,723	$ 20,830,899	$ 7,539,263	$ -	$ 3,087,359	$ 10,626,622	$ (35,325,101)

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

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2016

Capital assets, net		$164,295,908
Deduct:		
Short-term portion of bonds payable	$6,965,000	
Long-term portion of bonds payable	63,785,000	
Less: Unspent bond proceeds	(51,201)	
Short-term portion of energy performance debt	1,132,370	
Long-term portion of energy performance debt	12,523,738	
Less: Unspent energy performance debt proceeds	(190,678)	
Bond anticipation note payable	44,000,000	
Gain on defeasance	1,730,162	129,894,391
Net investment in capital assets		$34,401,517

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2016

EFPR GROUP, CPAs PLLC

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

The Board of Education
Three Village Central School District
Stony Brook, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Three Village Central School District (the District), as of and for the year ended June 30, 2016, and the related notes to the District's basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 12, 2016

EFPR GROUP, CPAs PLLC

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

The Board of Education
Three Village Central School District
Stony Brook, New York

Report on Compliance for Each Major Federal Program

We have audited Three Village Central School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 12, 2016

THREE VILLAGE CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Program Expenditures	Expenditures by CFDA Number	Expenditures to Subrecipients
U.S. Department of Education					
Passed-through NYS Education Department:					
Special Education Grants to States (IDEA, Part B)	84.027	0032-15-0878	$1,424		
Special Education Grants to States (IDEA, Part B)	84.027	0032-16-0878	1,346,400	$1,347,824	-
Special Education Preschool Grants (IDEA Preschool)	84.173	0033-16-0878	93,794	93,794	-
Total Special Education Cluster			1,441,618		
Title I Grants to Local Educational Agencies	84.010	0021-15-2960	1,491		
Title I Grants to Local Educational Agencies	84.010	0021-16-2960	145,813	147,304	-
English Language Acquisition Grants	84.365	0149-16-2960	13,774	13,774	-
Improving Teacher Quality State Grants	84.367	0147-15-2960	17,146		
Improving Teacher Quality State Grants	84.367	0147-16-2960	177,959	195,105	-
Total U.S Department of Education				1,797,801	-
U.S. Department of Agriculture					
Passed-through NYS Education Department:					
National School Lunch Program (cash assistance)	10.555	N/A	300,723		
National School Lunch Program (non-cash food distribution)	10.555	N/A	148,043	448,766	-
School Breakfast Program (cash assistance)	10.553	N/A	8,644	8,644	-
Total Child Nutrition Cluster			457,410		
Total U.S. Department of Agriculture				457,410	-
Total Federal Awards Expended				$2,255,211	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2016

(1) Summary of Significant Accounting Policies

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

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

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

(2) Subrecipients

No amounts were provided to subrecipients.

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	_____Yes _x__No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____Yes _x__None reported
3. Noncompliance material to financial statements noted?	_____Yes _x__No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	_____Yes _x__No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____Yes _x__None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)?	_____Yes _x__No
7. The District's major programs audited were:	

Name of Federal Programs	CFDA Number
Special Education Cluster	84.027/84.173
Child Nutrition Cluster	10.553/10.555

8. Dollar threshold used to distinguish between Type A and Type B programs?	$750,000
9. Auditee qualified as low-risk auditee?	_x__Yes _____No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable finding and questioned costs.

THREE VILLAGE CENTRAL SCHOOL DISTRICT

Status of Prior Year Audit Findings

Year ended June 30, 2016

There were no audit findings in the prior year financial statements (June 30, 2015).

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Three Village Central School District of Brookhaven and Smithtown (the "District"), in the County of Suffolk, New York, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale, and issuance of the $25,395,000 School District Refunding Serial Bonds-2017 (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 District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the District is subject to the levy of ad valorem real estate taxes to pay the 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 imposed on individuals and corporations under the Code. Bond counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. A portion of the Bonds bears interest that is susceptible of inclusion in adjusted current earnings of corporations for alternative minimum tax purposes while interest on the remaining portion of the Bonds is not so includable. These two portions of the Bonds are not being separately identified by the District. Failing such identification, all corporate holders of the Bonds should treat the

interest they receive as includable in adjusted current earnings of corporations for purposes of calculating the alternative minimum taxable income of such corporations. Prospective purchasers of the Bonds should consult their own tax advisors regarding this issue.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the 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 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 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 District with the procedures and covenants 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.

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Official Statement 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,

/s/ Hawkins Delafield & Wood LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

"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.

"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 August 29, 2017.

"Rule" means 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.

"School District" shall mean the Three Village Central School District of Brookhaven and Smithtown, in the County of Suffolk, a School District of the State of New York.

"Securities" shall mean the Issuer's **$25,395,000 School District Refunding Serial Bonds-2017**, dated August 29, 2017, maturing in various principal amounts on May 1 in each of the years 2018 to 2030, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The School District hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the EMMA System:

(i) no later than the last day of the sixth month after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017 the Annual Information relating to such fiscal year, together with audited financial statements of the School District 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, and audited financial statements, if any, shall be delivered to the EMMA System within thirty (30) days after

they become available and in no event later than 360 days after the end of each fiscal year; 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 School District;

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 School District 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 School District, 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 School District;

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

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

(iii) in a timely manner, not in excess of twenty (20) 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 School District from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the School District disseminates any such additional information, the School District 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 School District from providing notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Securities; but the School District does not undertake to commit to provide any such notice of the occurrence of any 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 School District's final official statement relating to the Securities under the headings: "The District," "Finances of the District", "Tax Information," "Indebtedness of the District" and "Economic and Demographic Information" and in Appendix A.

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

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

principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The School District's annual financial statements for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time. Such financial statements shall be audited by an independent accounting firm.

Section 5. Remedies. If the School District 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 School District and any of the officers, agents and employees of the School District, and may compel the School District 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 School District 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 School District 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 School District and the assumption of any such successor of the duties of the School District hereunder;

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

(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 School District or to reflect changes in the identity, nature or status of the School District or in the business, structure or operations of the School

District 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 School District 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 the their terms. Upon any such legal defeasance, the School District 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 **August 29, 2017.**

THREE VILLAGE CENTRAL SCHOOL DISTRICT OF BROOKHAVEN AND SMITHTOWN

By_____
President of the Board of Education and Chief Fiscal Officer