OFFICIAL STATEMENT

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Notes will be excludable from gross income for federal income tax purposes under existing law, and interest on the Notes will not be subject to the alternative minimum tax on individuals. In the further opinion of Bond Counsel, under existing law interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein for a description of the opinion of Bond Counsel and certain other tax consequences.

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code").

MOUNT SINAI UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the "District")

$7,000,000

TAX ANTICIPATION NOTES, 2018
(the "Notes")

Dated Date: July 26, 2018 Maturity Date: June 27, 2019

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for such purpose, subject to statutory limitations imposed by Chapter 97 of the Laws of 2011 (see "Tax Levy Limit Law" herein).

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

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

Form and Denomination: For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. The Notes to be issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of DTC, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry form purchased. See "Book-Entry System" herein.

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

The Notes are offered when, as and if issued and received by the purchasers and subject to the receipt of the legal opinion as to the validity of the Notes of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, New York, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York, or at such place as may be agreed upon with the purchaser(s) on or about July 26, 2018.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN EVENTS AS DEFINED IN THE RULE. (SEE APPENDIX C HEREIN).

Dated: July 9, 2018

MOUNT SINAI UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

P.O. Box 397
North Country Road
Mount Sinai, NY 11766
Telephone: 631/870-2561 (Ext. 709)
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BOARD OF EDUCATION

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Linda F. Jensen, Assistant Superintendent for Business
Lynne Kirchenko, District Treasurer
Maureen Poerio, District Clerk

School District Attorney

Kevin Seaman, Esq.
Stony Brook, New York

* * *

BOND COUNSEL

Norton Rose Fulbright US LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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No person has been authorized by the Mount Sinai Union Free School District to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates 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 Mount Sinai Union Free School District since the date hereof.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT

Relating to

MOUNT SINAI UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$7,000,000

TAX ANTICIPATION NOTES, 2018

THE NOTES

General

The $7,000,000 Tax Anticipation Notes, 2018 (the "Notes") will be general obligations of the Mount Sinai Union Free School District, Suffolk County, New York (the "District"), and will contain a pledge of the District's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (the "State") (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). The Notes will be dated July 26, 2018 and will mature, without the right of redemption prior to maturity, on June 27, 2018, with interest payable at maturity.

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

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

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their interest in the Notes. Individual purchases of such registered Notes may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the School District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "Book-Entry System" herein.

The District will act as Fiscal and Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Linda F. Jensen, Assistant Superintendent for Business, Mount Sinai Union Free School District, P.O. Box 397, North Country Road, Mount Sinai, NY 11766, Phone (631) 870-2561 (Ext. 709), Fax (631) 473-0905 and email: ljensen@mtsinai.k12.ny.us.

Book-entry-only System

In the event that the Notes are issued in registered book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). 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 the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each 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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Source: The Depository Trust Company

Certificated Notes

DTC may discontinue providing its services with respect to the Notes 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 system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in bearer form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes when due will be payable at the office of the District Clerk, as fiscal and paying agent for the Notes, or, at the option of the District, at a bank or trust company designated by the District for this purpose. The Notes will remain not subject to redemption prior to their stated final maturity date.

Event Notices

In accordance with the requirements of Rule 15c-12 as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the Mount Sinai Union Free School District (the "District") has agreed to provide, at the time of delivery of the Notes, an executed Disclosure Undertaking in substantially the form attached as Appendix C.

Pursuant to Undertakings previously entered into by the District, the District is required to file the Statement of Financial and Operating Information at the end of the sixth month of each 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
2013	12/30/2013	12/23/2013
2014	11/26/2014	11/19/2014
2015	12/09/2015	10/23/2015
2016	12/09/2016	10/25/2016
2017	11/08/2017	10/23/2017

On May 27, 2014, 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 1992 refunding serial bonds of the District were rated by AMBAC, the 2005 serial bonds were rated by National Public Finance Guarantee Corp. (formerly MBIA) and the 2007 serial bonds were rated by Assured Guaranty, which was formerly known as FSA. The current rating for National Public Finance Guarantee Corp. (formerly MBIA) is "Baa1" by Moody's and "AA-" by S&P. Assured Guaranty (Formerly FSA) is "A2" by Moody's and "AA" by Standard & Poor's. FGIC is no longer rated by any of the three rating agencies.

The underlying credit of the District was not affected by downgrades to the bond insurance companies. (See "Rating" herein).

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 "Aa3". As this was a system wide recalibration by Moody's and not considered an upgrade, a material event was not filed at the time.

Other than as noted above, the District has complied with all previous Undertakings in all material respects pursuant to the Rule.

Authorization and Purpose

The Notes are being issued in anticipation of the collection of real property taxes receivable by the District during its 2018-2019 fiscal year, commencing on July 1, 2018, and pursuant to a tax anticipation note resolution adopted by the Board of Education on May 8, 2018. The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "Cash Flow"). Such cash flow deficit is the result of a delay in the receipt of real property taxes, as a result of the fact that the dates fixed by law for the collection of such taxes do not conform to the expected cash needs of the District's operating budget.

Security and Source of Payment

The Notes are general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to statutory limitations imposed by Chapter 97 of the Laws of 2011.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2017-2018 real property taxes equals the amount of such real property taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter received, and to use the amounts so set aside only for the purpose of paying such notes. Interest on the Notes will be provided from budget appropriations.

For a description of prior issues of Tax Anticipation Notes and of projected issues of obligations for capital and operating purposes of the District, see "Details of Short-Term Indebtedness" and "Authorized But Unissued Items".

Remedies Upon Default

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgments or accrued claims against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to school districts there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

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 obligations of the municipality during the emergency period, is subject to doubt. These provisions do not apply to school districts, but there can be no assurance that they will not be made applicable in the future. In any event, no such emergency has been declared with respect to the District.

THE DISTRICT

Description

The District, with a currently estimated population of 13,244, is located on the north shore of Long Island adjacent to Port Jefferson, and is approximately 65 miles east of New York City. The District covers an area of approximately six square miles.

Largely suburban-rural in character, the District contains the Mount Sinai Harbor, affording facilities for boating and fishing. Several Brookhaven Township beaches are nearby, including Cedar Beach with extensive frontage of Long Island Sound.

Shopping and commercial activity is located mainly along Route 25A, with more extensive commercial activity in Port Jefferson and nearby shopping centers.

Farming remains as an important industry with the major crops of peaches and nursery stock.

Typical residential construction in the District is in the $350,000-$750,000 class. Zoning regulations are mostly one acre residential minimum.

The main highways serving the District are New York State Route 25A (east-west) and Patchogue-Mount Sinai Road (north-south). Rail transportation to western points is available through the Port Jefferson Branch of the Long Island Rail Road.

Police protection is provided by the County of Suffolk. Gas and electric are provided by the PSEG Long Island and National Grid, respectively. Fire protection is provided by the Mount Sinai Fire District. Water service is provided by the Suffolk County Water Authority.

District Organization

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

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

Enrollment History

School Year	School Enrollment
2013-2014	2,530
2014-2015	2,475
2015-2016	2,429
2016-2017	2,429
2017-2018	2,365

Current and Estimated Future Public School Enrollment

School Year	School Enrollment
2018-2019	2,310
2019-2020	2,290

District Facilities

Name of School	Grades	Date of Construction	Capacity
Mount Sinai Elementary School	K-4	1964	1147
Mount Sinai Middle School	5-8	1979	1000
Mount Sinai High School	9-12	1991	1000

Employees

Some employees are represented by organized labor as follows:

Name of Union	Expiration Date of Contract	Approx. No. of Members
Mount Sinai Teachers' Association	06/30/2017[a]	186
Civil Service Employees Association	06/30/2022	117
Mount Sinai Administrators' Association	06/30/2020	17

a. Expired, Currently in negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

Year	District	Town of Brookhaven	Suffolk County
2011	13,208	487,790	1,498,816
2012	13,267	487,807	1,498,125
2013	11,750	486,868	1,495,803
2014	12,620	488,485	1,500,373
2016	13,244	488,123	1,498,130

Income Data

	Per Capita Money Income			
	1990	2000	2010	2016[a]
Town of Brookhaven	$16,726	$24,191	$33,324	$36,011
Suffolk County	18,481	26,577	35,411	38,779
New York State	16,501	23,389	30,791	34,212

	Median Household Income			
	1990	2000	2010	2016[a]
Town of Brookhaven	$47,074	$62,475	$81,937	$87,728
Suffolk County	49,128	65,288	84,235	90,128
New York State	32,965	43,393	55,217	60,741

Source: United States Bureau of the Census
a: Based on American Community Survey Five-Year Estimates (2012-2016)

Selected Listing of Larger Employers in Town of Brookhaven
(As of 2017)

Name	Type of Business	Estimated Number of Employees
State University at Stony Brook	Education	13,000
Stony Brook University Medical Center	Medical Center	6,000
Brookhaven National Laboratory	Laboratory	3,000
John T. Mather Hospital	Hospital	1,967
Brookhaven Memorial Hospital	Hospital	1,750
Three Village Central School District	Education	1,650
William Floyd Union Free School District	Education	1,650
St. Charles Hospital	Hospital	1,600
Quality King Distributors	Commercial	862
Nursing Care at Medford	Nursing Home	580

Unemployment Rate Statistics

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

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2013	6.5	6.5	7.7
2014	5.3	5.3	6.4
2015	5.5	4.8	5.3
2016	4.4	4.3	4.8
2017	4.5	4.5	4.7
2018 (4 Month Average)	4.8	4.9	4.9

Source: New York State Department of Labor.

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The State Constitution limits the power of the District (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the District and the Notes:

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes), 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 expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for payment of principal of its serial bonds and bond anticipation 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, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Security and Source of Payment", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the District’s power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. See “Legal Matters” and “Tax Levy Limit Law,” herein.

Statutory Procedure

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

Pursuant to the Local Finance Law, the District authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Board, the finance board of the District. Customarily, the Board has delegated to the President of the Board, as chief fiscal officer of the District, the power to authorize and sell bonds and bond anticipation notes in anticipation of the sale of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) such obligations are authorized for a purpose for which the District is not authorized to expend money, or

(2) there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication, or,

(3) such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal restrictions (Constitution, Local Finance Law and case law) relating to the period of probable usefulness thereof.

The Board, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year, provided that annual principal installments are made in reduction of the total amount of such notes outstanding. These installments must commence no later than two years from the date of the first issuance of such notes, and such renewals may not extend more than five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein).

The Local Finance Law also contains provisions granting the District power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget notes (See "Indebtedness of the District" herein).

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 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. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. See "Tax Levy Limit Law" herein.

The following pages set forth certain details with respect to the indebtedness of the District.

Computation of Debt Limit and Calculation of Total Net Indebtedness
(As of July 9, 2018)

In Town of: (2017-2018)	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Brookhaven	$15,368,711	0.90	$1,688,869,341
Debt Limit - 10% of Average Full Valuation			168,886,934
Inclusions:[a]			
Outstanding Bonds			$5,395,000
Bond Anticipation Notes			0
Total Indebtedness			$5,395,000
Exclusions (Estimated Building Aid)[b]			4,213,495
Total Net Indebtedness			1,181,505
Net Debt Contracting Margin			$167,705,429
Per Cent of Debt Contracting Margin Exhausted			0.70%

a. The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the statutory debt limit of the District.

b. Represents estimate of moneys 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.

Details of Short-Term Indebtedness Outstanding

The District has no short-term indebtedness outstanding.

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$1,630,000	$257,954	$1,887,954
2020	665,000	171,019	836,019
2021	710,000	142,594	852,594
2022	740,000	110,156	850,156
2023	585,000	76,125	661,125
2024	615,000	48,000	663,000
2025	75,000	18,187	93,187
2026	75,000	15,188	90,188
2027	75,000	12,187	87,187
2028	75,000	9,188	84,188
2029	75,000	6,188	81,188
2030	75,000	3,094	78,094
Totals	$5,395,000	$869,880	$6,264,880

a. Does not reflect payments made to date.

Additionally, the District entered into an energy performance lease on April 24, 2012, in the amount of $3,670,000. The District pays a bi-annual payment of $153,660 with the first payment beginning on September 15, 2013 through and including September 15, 2027.

Trend of District Indebtedness

	2014	2015	2016	2017	2018
Bonds	$13,815,000	$11,875,000	$8,645,000	$7,020,000	$5,395,000
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	$13,815,000	$11,875,000	$8,645,000	$7,020,000	$5,395,000

Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Issue	Maturity
2014	$7,000,000	7/25/2013	6/26/2014
2015	7,900,000	7/24/2014	6/25/2015
2016	8,500,000	7/16/2015	6/30/2016
2017	7,900,000	8/09/2016	6/29/2017
2018	7,400,000	7/27/2017	6/27/2018

Authorized but Unissued Debt

The District has no authorized but unissued debt.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	05/25/2018	4.94	$114,613,158	$62,258,925
Town of Brookhaven	04/13/2017	2.10	14,791,071	12,491,466
Mount Sinai Fire District	12/31/2016	99.00	273,021	273,021
Totals			$129,677,250	$75,023,412

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

Debt Ratios
(As of July 9, 2018)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$ 5,395,000	$ 407	0.32
Net Direct Debt	1,181,505	89	0.07
Total Direct & Applicable Total Overlapping Debt	135,072,250	10,199	8.00
Net Direct & Applicable Net Overlapping Debt	76,204,917	5,754	4.51

a. The current estimated population of the District is 13,244.

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, 2017. A copy of such report is included herein as Appendix E.

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.

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Source: Audited Financials of the District.

Budget Process

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

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

Revenues

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

Real Property Taxes

See *"Tax Information"* herein.

State Aid

The District is dependent in significant part on financial assistance from the State in the form of State aid for both operating and capital purposes. The District received approximately 30.93% of its total General Fund Revenue operating from State aid in Fiscal Year 2016-2017 and expects to receive approximately 30.05% in Fiscal Year 2017-2018 and 30.41% in fiscal year 2018-2019. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies and not by a 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. (see "Recent Events Affecting State Aid to State School Districts").

The State is not constitutionally obligated to maintain or continue State aid to the District. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget and other circumstances including State fiscal stress. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

In addition to the amount of State Aid budgeted by the District, the State is expected to make STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (see "STAR - School Tax Exemption").

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

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The 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 invested $1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

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

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

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

School district fiscal year (2018-2019): The State's 2018-2019 Enacted Budget provides for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $1,618,336.

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 2018-2019 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*").

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2013 through 2017, and the 2018 and 2019 budgets.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2013	$51,651,348	$14,572,665	28.21
2014	55,155,155	14,900,000	27.01
2015	53,743,102	15,476,935	28.80
2016	55,935,492	16,875,723	30.17
2017	56,693,898	17,534,296	30.93
2018 (Budgeted)[a]	59,272,525	17,810,000	30.05
2019 (Budgeted)[a]	60,203,745	18,306,000	30.41

a. Budgeted revenues include the application of reserves and fund balance.

Expenditures

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

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

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

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

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

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released June 1, 2018. The purpose of such audit was to determine whether the Board and District officials effectively managed general fund balance for the period July 1, 2014 – October 31, 2017. The complete report, along with the District's response, may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

State Certified employees (teachers and administrators) are members of the State Teachers' Retirement System ("TRS"). Payments to the TRS are generally deducted from State aid payments. All non-State Certified employees of the District eligible for pension or retirement benefits are members of the State and Local Employees' Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to the members hired prior to July 27, 1976. All members of the respective systems hired on or after July 27, 1976, contribute 3% of their gross annual salary toward the cost of retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with ten years of service credit. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries and new TRS employees in Tier 5 will contribute 3.5% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from three years to five years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Historically there has been a state mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 11% to 15% (percentage dependent on tier) of payroll for employees' retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments. While the District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

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

On July 30, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which altered the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the State had reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.
Chapter 260 provided for the following changes:

- Contribution Payment Date Change: The law changed the date on which local pension contributions are due to the State. The annual required contribution became due February 1 annually instead of December 15.
- Pension Contributions Reserve Fund: The law creates special authorization to create a new category of reserve fund under the GML. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District's employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

On September 3, 2009, the State Comptroller announced that employer contribution rates for the ERS would increase in 2011. Due to recent market performance, the State Common Retirement Fund (Fund) had a negative 26.3% return for the fiscal year ended March 31, 2009. The average ERS rate is 11.9% (up from 7.4% in 2010).

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than $35 billion in long-term savings to State taxpayers over the next thirty years. The legislation created a new Tier 5 pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier 5 include:

- Raising the minimum age at which civilian can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributions of 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at $15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 and subsequent years will be higher than the minimum contribution rate established by Chapter 49. To mitigate the expected increases in the employer contribution rate, legislation has been enacted that would permit schools districts to borrow a portion of their required ERS payments from the State's Retirement System at an interest rate of 5% percent. The new legislation also requires school districts that choose to amortize establish reserve accounts to fund future payment increases that are a result of fluctuations in pension plan performance.

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 SCO, which was adopted in 2010. 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 as described below. For TRS, the 2013-14 SCO rate is 14%. For ERS, it is 12%.

The TRS SCO deferral plan is available to school districts until the 2019-20 fiscal year. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary benefit 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 significant assistance in its ability to create a stable and reliable fiscal plan. The District will not participate in the TRS or ERS SCO program.

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

Fiscal Year Ending June 30:	TRS	ERS
2014	$3,754,700	$632,328
2015	4,191,677	568,148
2016	3,277,940	519,364
2017	2,911,730	489,046
2018	2,483,394	511,419

Source: Audited Financial Statements.

Other Post-Employment Benefits

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

GASB Statement No. 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 table shows the components of the District's annual OPEB cost for the year 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation	Fiscal Year Ending June 30, 2017:
Annual required contribution (ARC)	$3,253,871
Interest on net OPEB obligation	739,860
Less: Adjustments to ARC	(554,223)
Annual OPEB cost (expense)	3,439,508
Less: Contributions made	(1,535,675)
Increase in net OPEB obligation	1,903,833
Net OPEB obligation-beginning of year	14,797,195
Net OPEB obligation-end of year	$16,701,028

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2017	$3,439,508	44.6	$16,701,028
June 30, 2016	3,082,837	45.3	14,797,195
June 30, 2015	2,951,180	55.1	13,111,115

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

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

TAX INFORMATION

Real Property Taxes

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

The following table sets forth real property taxes as a percentage of the District's General Fund revenue (excluding other financing sources) for each of the fiscal years 2013 through 2017 inclusive and for the 2018 and 2019 fiscal years, based upon the District's adopted budget for each year.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2013	$51,651,348	$31,467,279	60.92
2014	53,080,713	32,802,999	61.80
2015	53,743,102	32,829,672	61.09
2016	55,935,492	33,356,028	59.63
2017	56,693,898	33,656,867	59.37
2018 (Budgeted)[a]	59,272,525	39,350,460	66.39
2019 (Budgeted)[a]	60,203,745	40,117,049	66.64

a. Budgeted revenues include the application of reserves and 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 Towns, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

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, 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 (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015, a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016, the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". Press reports indicate that NYSUT is reviewing the decision and is likely to appeal to the Court of Appeals. An additional appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the grounds that no substantial constitutional question was directly involved, and thereafter, leave to appeal was denied on January 14, 2017 by the Court of Appeals.

STAR - School Tax Exemption

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

Approximately 9% 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. Based on information furnished to the District, approximately 9% of the District's 2017-2018 and 2018-2019 school tax levy is expected to be exempted by the STAR program. (See "*State Aid*" herein).

Valuations, Rates Levies and Collections

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation	Tax Levy
2014	$15,424,126	0.95	$1,623,592,211	$2,446.69	$32,767,624
2015	15,392,716	0.95	1,620,285,895	2,453.90	32,803,774
2016	15,393,807	0.95	1,620,400,737	2,499.40	38,691,900
2017	15,375,062	0.91	1,689,567,253	2,514.96	39,350,460
2018	15,368,711	0.90	1,707,634,556	2,560.40	34,374,561

Selected Listing of Large Taxable Properties
2017-2018 Assessment Roll

Name	Type	Assessed Valuation
Long Island Power Authority	Utility	$223,903
Mount Sinai Shopping Center	Shopping Center	190,000
Crystal Brook Park Association	Community	124,488
Keyspan	Utility	48,990
PSAC Development Partners	Commercial	44,000
Club Corp Willow Creek LLC	Commercial	39,990
Balafas Angelo C/O Irene Balafas	Residential	39,105
Aldrich Management Co LLC	Commercial	24,000
Chung Wo Properties Co.	Commercial	23,000
Mt. Sinai Commercial LLC	Commercial	22,590
Verizon, New York Inc.	Utility	22,315
Dandey Real Estate Corp.	Commercial	20,300
Raymond & Victoria Menna	Residential	15,710
Min-Al Properties Inc.	Commercial	15,200
Oakwood Family Partners, LLC.	Commercial	13,850
	Total	$867,441

a. Represents 5.64% of the total assessed valuation of the District for 2017-2018.
Source: Town Assessment Rolls.

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 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.

There is no action suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

MARKET AND RISK FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE

The financial and economic condition of the District, as well as the market for the Notes, could be affected by a variety of factors, many of which are beyond the District's control. There can be no assurance that adverse events in the global economy, the State or elsewhere, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions or elsewhere, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected. The market for and the market value of the Notes could be adversely affected if the District encountered real or perceived difficulty in marketing notes or bonds to pay principal on the Notes at maturity; the District, like other issuers, is dependent on the orderly functioning of the municipal debt markets to refinance existing debt coming due, and could be unable to pay the Notes at maturity if market access proved unavailable.

There are various other forms of risk associated with investing in the Notes. Although none of such risks currently exist with respect to the District or the Notes, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies Upon Default", herein). If a Noteholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District's financial condition.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. The State's Annual Information Statement and other information about the State's finances are provided by the State Division of the Budget on its website.

In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

A deterioration of District finances could cause the credit rating of the Notes to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by Moody's Investors Service. Any of such actions on the part of Moody's Investors Service could have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

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

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

TAX MATTERS

Tax Exemption

The delivery of the Notes is subject to the opinion of Bond Counsel to the effect that interest on the Notes for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began on or before December 31, 2017, interest on the Notes owned by certain corporations will be included in such corporations' adjusted current earnings for purposes of computing the alternative minimum tax on such corporations. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate (the "Tax Certificate") dated the date of delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance by the District with the provisions of the Tax Certificate subsequent to the issuance of the Notes. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the District may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

In the opinion of Bond Counsel, under existing law interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as described above, Bond Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Notes of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Notes

The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Note. A portion of such original issue discount allocable to the holding period of such Discount Note by the initial purchaser will, upon the disposition of such Discount Note (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Notes described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation for taxable years that began on or before December 31, 2017, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income. Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes.

The purchase price of certain Notes (the "Premium Notes") paid by an owner may be greater than the amount payable on such Notes at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Note over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Note in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Note. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Notice 94-84, 1994-2 C.B. 559, states that the IRS is studying whether the stated interest portion of the payment at maturity on a short-term debt obligation (such as the Notes), that matures not more than one year from the date of issue, bears a stated fixed rate of interest and is described in section 103(a) of the Code, is (i) qualified stated interest that is excluded from the stated redemption price at maturity of the obligation (within the meaning of section 1273 of the Code) but is excluded from gross income pursuant to section 103(a) of the Code, or (ii) is not qualified stated interest and, therefore, is included by the taxpayer in the stated redemption price at maturity of the obligation, creating or increasing (as to that taxpayer) original issue discount on the obligation that is excluded from gross income pursuant to section 103(a) of the Code. Notice 94-84 states that until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, a taxpayer holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, the taxpayer must treat the amounts to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Notice 94-84 does not address various aspects necessary to the application of the latter method (including, for example, the treatment of a holder acquiring its Note other than in the original public offering or at a price other than the original offering price). Each person considering acquiring the Notes should consult its own tax advisor with respect to the tax consequences of ownership of and of the election between the choices of treatment of the stated interest payable at maturity on the Notes.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. However, section 265(b) of the Code provides that this interest disallowance rule for financial institutions does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Notes as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel. Such legal opinion will be delivered in substantially the form attached hereto as Appendix D.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Financial Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent financial advisor to the District on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Notes 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 Notes was based on materials provided by the District and other sources of information believed to be reliable. The Financial 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 Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

OTHER MATTERS

The statutory authority for the District to borrow money in anticipation of the receipt of real property taxes and to issue tax anticipation notes is Section 24.00 of the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the District is July 1 to June 30.

This Official Statement does not include the financial data of any political subdivision of the State having power to levy taxes within the District, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Linda Jensen, the Assistant Superintendent for Business of the Mount Sinai Union Free School District, P.O. Box 397, North Country Road, Mount Sinai, New York 11766, telephone number 631/870-2561, email: Ljensen@Mtsinai.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

Except for its review of the descriptions of the terms of the Notes and its approving legal opinion to be rendered on the Notes as Bond Counsel to the District, Norton Rose Fulbright US LLP has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

The preparation and distribution of this Official Statement has been approved by the President of the Board of Education of the District pursuant to the power delegated to him by the authorizing Bond resolution to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the Mount Sinai Union Free School District.

President of the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

July 9, 2018

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	$ 31,467,279	$ 32,802,499	$ 32,829,672	$ 33,356,028	$ 33,656,867
Other Tax Items	4,836,473	4,971,010	4,944,164	5,119,377	5,035,828
Charges for Services	186,254	85,177	273,881	204,529	175,490
Use of Money and Property	86,588	77,915	70,403	55,153	56,488
Forfeitures	2,162	2,014	2,470	2,094	1,714
Sale of Property & Compensation for Loss	2,424	3,129	4,080	2,090	3,813
Miscellaneous	494,307	145,325	139,652	313,177	225,289
State Sources	14,572,665	14,992,049	15,476,935	16,875,723	17,534,296
Federal Sources			1,845		
Medicaid Reimbursement	3,196	1,595		7,321	4,113
Total Revenues	51,651,348	53,080,713	53,743,102	55,935,492	56,693,898
Expenditures:					
General Support	5,153,758	5,435,044	5,178,161	4,869,599	4,940,010
Instruction	30,162,541	30,894,195	31,421,411	32,491,472	33,477,296
Pupil Transportation	3,557,292	3,354,289	3,580,053	3,626,572	3,531,582
Community Services	7,790	7,525	7,975	8,193	3,039
Employee Benefits	9,126,824	10,209,304	10,907,425	10,188,607	10,381,729
Debt Service	2,409,358	2,616,427	2,553,764	2,618,068	2,499,274
Total Expenditures	50,417,563	52,516,784	53,648,789	53,802,511	54,832,930
Other Financing Sources (Uses)					
Insurance Recoveries	459,062				
Interfund Transfers In			10,846	437,486	
Interfund Transfers Out	(66,797)	(2,612,638)	(94,819)	(87,485)	(77,303)
Total Other Financing Sources (Uses)	392,265	(2,612,638)	(83,973)	350,001	(77,303)
Net Change In Fund Balances	1,626,050	(2,048,709)	10,340	2,482,982	1,783,665
Other Changes In Fund Balances:					
Decrease: Prior Period Adjustment					
Fund Balance Beg. of Fiscal Year	12,778,991	14,405,041	12,356,332	12,366,672	14,849,654
Fund Balance End of Fiscal Year	$ 14,405,041	$ 12,356,332	$ 12,366,672	$ 14,849,654	$ 16,633,319

Sources: Audited Annual Financial Reports of the District (2013-2017)
Note: This Schedule NOT audited.

Balance Sheet - General Fund

Fiscal Year Ended June 30:

	2015	2016	2017
ASSETS:			
Cash			
Unrestricted	$ 9,281,336	$ 10,225,558	$ 13,554,864
Restricted	5,312,735	5,075,735	5,096,948
Receivables			
Accounts Receivable	23,939	32,925	19,983
Due From Other Funds	769,909	1,257,604	885,555
Due from State and Federal	2,582,546	2,814,817	1,966,069
Due Other Governments	182,847	93,361	81,655
Prepaids	2,515		
Total Assets	$ 18,155,827	$ 19,500,000	$ 21,605,074
LIABILITIES:			
Payables			
Accounts Payable	641,856	495,037	675,351
Accrued Liabilities	285,004	143,379	323,299
Due to Other Governments	1,453	1,573	1,729
Due to Teachers' Retirement System	4,311,024	3,390,524	3,016,386
Due to Employees' Retirement System	133,589	123,407	124,273
Compensated Absences Payable	268,656	354,000	704,893
Collections in Advance	38,535	33,388	16,786
Deferred Revenues	109,038	109,038	109,038
Total Liabilities	5,789,155	4,650,346	4,971,755
FUND BALANCES:			
Nonspendable:			
Prepaids	2,515		
Restricted			
Workers Compensation	501,363	501,886	202,587
Retirement Contribution	1,197,245	1,179,250	1,474,858
Employee Benefits Accrued Liability	3,614,127	3,393,661	3,419,503
Assigned:			
Appropriated Fund Balance	1,136,052	1,508,210	1,607,065
Unappropriated Fund Balance	135,058	48,070	31,330
Unassigned: Fund Balance	5,780,312	8,218,577	9,897,976
Total Fund Balances	12,366,672	14,849,654	16,633,319
Total Liabilities, Deferred Inflows of Resources & Fund Balances	$ 18,155,827	$ 19,500,000	$ 21,605,074

Source: Audited Annual Financial Reports of the District (2015-2017).

Note: This Schedule NOT audited.

Budget Summaries

	2016-17(a)	2017-18(b)	2018-19(c)
Revenues:			
Real Property Taxes	$ 38,691,900	$ 39,350,460	$ 40,117,049
State Aid	17,349,375	17,810,000	18,306,000
Appropriation of Fund Balance			
from Prior Fiscal Year	1,508,210	1,607,065	1,275,696
Appropriate Reserve ERS	205,000	205,000	205,000
Miscellaneous Items	300,000	300,000	300,000
Total	$ 58,054,485	$ 59,272,525	$ 60,203,745
Expenditures:			
General Support	$ 3,427,800	$ 3,565,800	$ 3,699,900
Instruction	37,242,365	37,993,565	38,431,200
Pupil Transportation	3,837,400	3,932,200	4,123,595
Community Services	83,575	86,075	85,725
Interfund Transfers	100,000	100,000	
Employee Benefits	10,795,480	11,102,300	11,333,305
Debt Service	2,567,865	2,492,585	2,530,020
Total	$ 58,054,485	$ 59,272,525	$ 60,203,745

(a) Approved by the voters of the District on 5/17/16.
(b) Approved by the voters of the District on 5/16/17
(c) Approved by the voters of the District on 5/15/18

APPENDIX B

CASH FLOW SUMMARY

MOUNT SINAI UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2017-2018 (000's)
(ACTUAL THROUGH MAY 2018)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	13,698	20,105	18,319	14,750	12,653	8,613	7,580	22,478	22,290	17,729	20,516	13,530	13,698
Receipts													
Property Taxes	0	0	0	0	0	684	16,882	4,759	526	421	1,209	11,778	36,259
STAR Payment	0	0	0	0	0	0	4,924	0	0	0	0	0	4,924
State Aid	1,359	287	32	2,146	540	1,281	0	112	223	6,423	0	4,027	16,430
Other Receipts	664	56	125	302	360	174	151	187	86	379	1,055	41	3,580
TAN Proceeds	7,400	0	0	0	0	0	0	0	0	0	0	0	7,400
Total Receipts	9,423	343	157	2,448	900	2,139	21,957	5,058	835	7,223	2,264	15,846	68,593
Disbursements													
Debt Service	77	233	17	0	0	0	487	1,298	166	0	0	0	2,278
Expenditures	2,939	1,896	3,709	4,545	4,940	3,172	6,572	3,948	5,230	4,436	9,250	11,466	62,103
TAN Repayment	0	0	0	0	0	0	0	0	0	0	0	7,400	7,400
Total Disbursements	3,016	2,129	3,726	4,545	4,940	3,172	7,059	5,246	5,396	4,436	9,250	18,866	71,781
Balance	20,105	18,319	14,750	12,653	8,613	7,580	22,478	22,290	17,729	20,516	13,530	10,510	10,510
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	7,400	7,400
Disbursements	0	0	0	0	0	0	0	0	0	0	0	7,400	7,400
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

MOUNT SINAI UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTION 2018-2019 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	10,510	15,485	13,916	9,884	7,771	3,982	543	18,092	17,851	13,910	16,595	13,080	10,510
Receipts													
Property Taxes	0	0	0	0	0	0	17,769	4,812	370	370	740	12,958	37,019
STAR Payment	0	0	0	0	0	0	4,924	0	0	0	0	0	4,924
State Aid	0	0	293	2,262	656	1,249	99	98	1,151	5,545	0	4,272	15,625
Other Receipts	146	57	134	126	211	181	152	117	82	1,011	86	62	2,365
TAN Proceeds	7,000	0	0	0	0	0	0	0	0	0	0	0	7,000
Total Receipts	7,146	57	427	2,388	867	1,430	22,944	5,027	1,603	6,926	826	17,292	66,933
Disbursements													
Debt Service	68	47	167	0	0	0	494	1,102	317	0	0	0	2,195
Expenditures	2,103	1,579	4,292	4,501	4,656	4,869	4,901	4,166	5,227	4,241	4,341	11,859	56,735
TAN Repayment	0	0	0	0	0	0	0	0	0	0	0	8,500	8,500
Total Disbursements	2,171	1,626	4,459	4,501	4,656	4,869	5,395	5,268	5,544	4,241	4,341	20,359	67,430
Balance	15,485	13,916	9,884	7,771	3,982	543	18,092	17,851	13,910	16,595	13,080	10,013	10,013
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	7,000	7,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	7,000	7,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

APPENDIX C

FORM OF UNDERTAKING TO DISCLOSE CERTAIN EVENTS

The Undertaking to Disclose Certain Events will be supplied at closing in substantially the following form:

A. ***Definitions***. As used in this Undertaking, the following terms have the meanings ascribed to such terms below*:*

"Notes" means the Issuer's $7,000,000 Tax Anticipation Notes, 2018, dated July 26, 2018.

"Issuer" means the Mount Sinai Union Free School District, Suffolk County, New York.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Undertaking" means this Disclosure Undertaking.

B. ***Event Notices.*** The Issuer shall provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

*(*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 or determinations with respect to the tax-exempt status of the Notes, or other material events affecting the tax status of the Notes;

(7) Modifications to rights of holders of the Notes, if material;

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

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Notes, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide a notice described in "B", above, by the time required by this Undertaking.

C. ***Filings with the MSRB***. All notices and other documents provided to the MSRB in accordance with this Undertaking shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

D. ***Limitations, Disclaimers, and Amendments***. The Issuer shall be obligated to observe and perform the covenants specified in this Undertaking for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Notes within the meaning of the Rule.

The provisions of this Undertaking are for the sole benefit of the holders and beneficial owners of the Notes, and nothing in this Undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the notices which it has expressly agreed to provide pursuant to this Undertaking and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Undertaking or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Notes at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS UNDERTAKING, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Undertaking shall constitute a breach of or default on the Notes.

Nothing in this Undertaking is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Undertaking may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Undertaking, as so amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of the Notes consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Notes. The Issuer may also repeal or amend the provisions of this Undertaking if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

APPENDIX D

FORM OF LEGAL OPINION

July 26, 2018

Mount Sinai Union Free School District,
Suffolk County,
State of New York

Mount Sinai Union Free School District, Suffolk County, New York
$7,000,000 Tax Anticipation Notes, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $7,000,000 Tax Anticipation Notes, 2018 (the "Obligation"), of the Mount Sinai Union Free School District, State of New York (the "Obligor"), dated July 26, 2018, payable June 27, 2019, at maturity.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986 (the "Code"), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;

(3) a tax certificate (the "Tax Certificate") executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion in certain cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof who are individuals. We call to your attention that, for taxable years that began on or before December 31, 2017, interest on the Obligation owned by certain corporations will be included in such corporations' adjusted current earnings for purposes of computing the alternative minimum tax on such corporations. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other Federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral Federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

MOUNT SINAI UNION FREE SCHOOL DISTRICT

APPENDIX E

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREAPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARTION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

MOUNT SINAI
School District

"The best in learning and living"

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2017

MOUNT SINAI UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Mount Sinai Union Free School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Mount Sinai Union Free School District, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 15 and 49 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Sinai Union Free School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the Mount Sinai Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Mount Sinai Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 12, 2017

The Mount Sinai Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

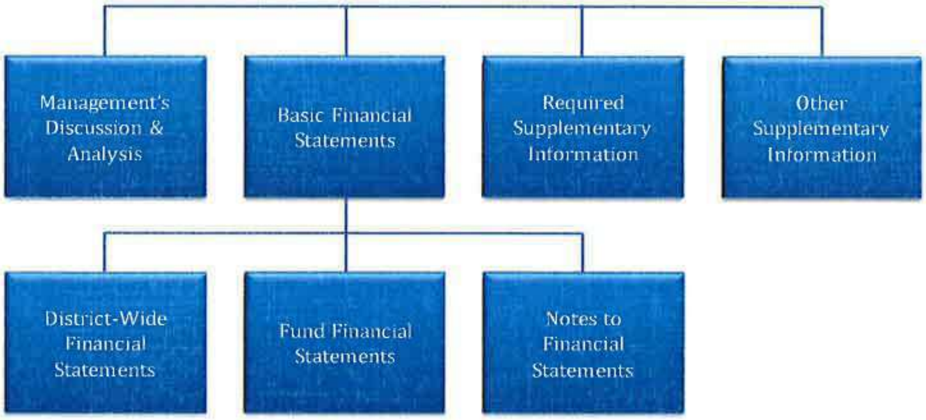
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by $507,125 or 2.03% to $25,437,560. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $57,909,340. Of this amount, $1,897,398 was offset by program charges for services and operating grants. General revenues of $56,519,067 amount to 96.75% of total revenues.
- The District received $945,065 in operating grants to support instructional programs.
- The general fund's total fund balance of $16,633,319, as reflected in the fund financial statements, increased by $1,783,665. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- The District's 2017 property tax levy of $38,691,900 was a 0.56% increase over the 2016 tax levy, and was equal to the District's property tax cap.
- On May 16, 2017, the proposed 2017-18 budget in the amount of $59,272,525 was approved by the District's voters.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by $507,125 between fiscal year 2016 and 2017. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 22,021,438	$ 19,931,211	$ 2,090,227	10.49 %
Capital Assets, Net	26,486,008	27,804,874	(1,318,866)	(4.74)%
Net Pension Asset - Proportionate Share		16,535,915	(16,535,915)	(100.00)%
Total Assets	48,507,446	64,272,000	(15,764,554)	(24.53)%
Deferred Outflows of Resources	17,327,585	5,029,392	12,298,193	244.53 %

	2017	2016	Increase (Decrease)	Percentage Change
Liabilities				
Current and Other Liabilities	$ 5,082,339	$ 4,793,968	$ 288,371	6.02 %
Long-Term Liabilities	15,033,327	16,995,878	(1,962,551)	(11.55)%
Net other postemployment benefits obligation	16,701,028	14,797,195	1,903,833	12.87 %
Net Pension Liability - Proportionate Share	2,741,940	1,805,339	936,601	51.88 %
Total Liabilities	39,558,634	38,392,380	1,166,254	3.04 %
Deferred Inflows of Resources	838,837	5,978,577	(5,139,740)	(85.97)%
Net Position				
Net Investment in Capital Assets	16,519,177	15,988,263	530,914	3.32 %
Restricted	5,380,492	5,358,093	22,399	0.42 %
Unrestricted	3,537,891	3,584,079	(46,188)	(1.29)%
Total Net Position	$ 25,437,560	$ 24,930,435	$ 507,125	2.03 %

Current and other assets increased by $2,090,227, as compared to the prior year. The increase is primarily due to an increase in cash, offset by a decrease in due from state and federal.

Capital assets, net decreased by $1,318,866 as compared to the prior year. This decrease is due to depreciation expense in excess of furniture and equipment additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset - proportionate share was eliminated in the current year as the New York State Teachers' Retirement System experienced a loss resulting in an ending balance that was a liability; therefore, the District's proportionate share is a liability.

Deferred outflows of resources represents contributions to the state retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities increased by $288,371, as compared to the prior year. This increase is primarily in connection with increases in accounts payable, accrued liabilities and compensated absences, offset by a decrease in the due to teachers' retirement system as a result of the decrease in contribution rate.

Long-term liabilities decreased by $1,962,551, as compared to the prior year. This decrease was primarily related to the repayment of the current maturity of the bond and installment purchase indebtedness.

Net other postemployment benefits (OPEB) obligation increased by $1,903,833 as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability - proportionate share increased by $936,601 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year.

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

The net investment in capital assets is the investment in capital assets at cost such as land; buildings and improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

	Increase (Decrease)
Capital asset additions - total	$ 117,005
Additions financed by debt	(40,289)
Additions financed by appropriations	76,716
Principal debt reduction of construction and refunding bonds	1,625,000
Principal debt reduction of installment purchase debt	265,069
Depreciation expense	(1,435,871)
	$ 530,914

The restricted amount of $5,380,492 relates to the District's reserves. This number increased over the prior year by $22,399, as a result of a transfer into the reserves and interest earned on reserves offset by appropriating and spending from the retirement contribution and employee benefit accrued liability reserves.

The unrestricted amount of $3,537,891 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This amount decreased from the prior year by $46,188.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements School Tax Relief (STAR) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 790,001	$ 813,197	$ (23,196)	(2.85)%
Operating Grants	1,107,397	992,962	114,435	11.52 %
General Revenues				
Property Taxes and STAR	38,692,075	38,475,336	216,739	0.56 %
State Sources	17,534,296	16,875,723	658,573	3.90 %
Other	292,696	381,400	(88,704)	(23.26)%
Total Revenues	58,416,465	57,538,618	877,847	1.53 %
Expenses				
General Support	5,765,337	5,352,040	413,297	7.72 %
Instruction	47,191,019	41,912,206	5,278,813	12.59 %
Pupil Transportation	3,630,641	3,735,844	(105,203)	(2.82)%
Community Service	3,039	8,193	(5,154)	(62.91)%
Debt Service - Interest	517,669	659,949	(142,280)	(21.56)%
Food Service Program	801,635	795,433	6,202	0.78 %
Total Expenses	57,909,340	52,463,665	5,445,675	10.38 %
Increase in Net Position	$ 507,125	$ 5,074,953	$ (4,567,828)	(90.01)%

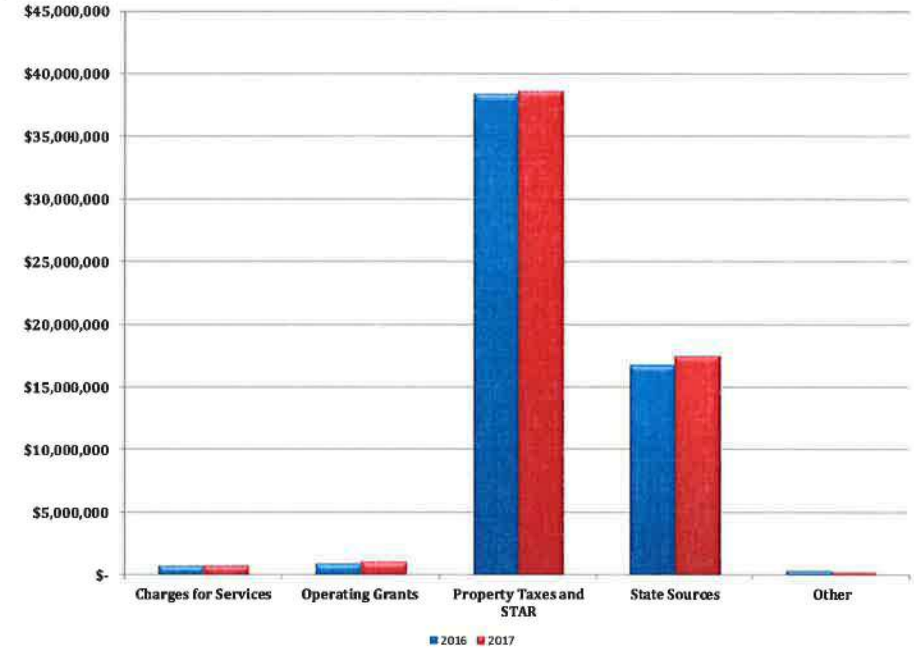
The District's net position increased by $507,125 and $5,074,953 for the years ended June 30, 2017 and 2016, respectively.

The District's total revenues increased by $877,847 or 1.53% over the prior year. The major factors that contributed to the increase were increases in property taxes and STAR and state sources.

The District's expenses for the year increased by $5,445,675 or 10.38%. The major factor that contributed to the increase was an increase in employee benefit costs of $4,274,185 related to the aggregate pension expense allocated from the State retirement systems compared to the prior year.

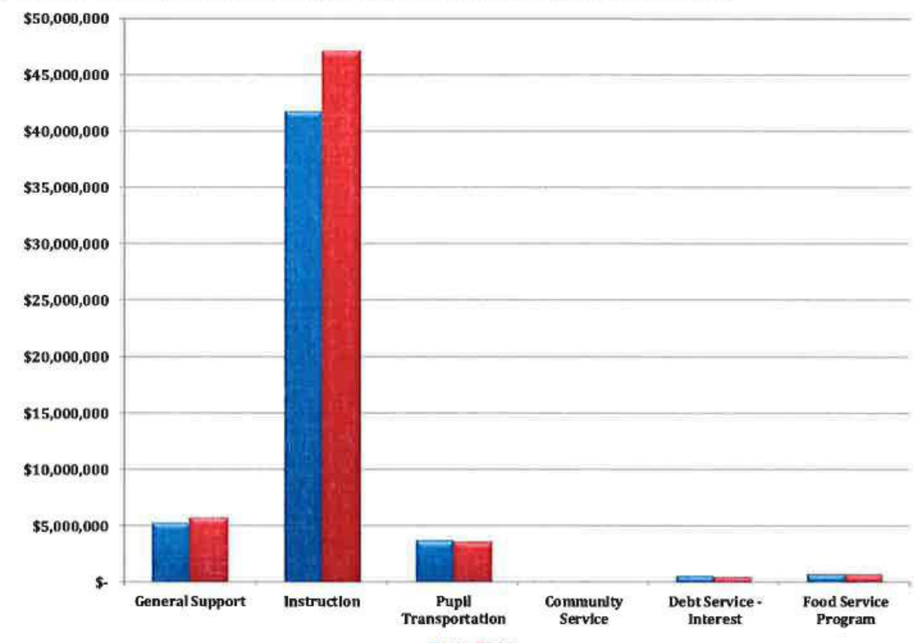
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 66.2% and 66.9% of the total for the years 2017 and 2016). Instruction expenses is the largest category of expenses incurred (i.e., 81.4% and 79.9% of the total for the years 2017 and 2016, respectively). The graphs demonstrate that the components of revenues and expenses are relatively consistent for both years.

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2016	1.4%	1.7%	66.9%	29.3%	0.7%
2017	1.4%	1.9%	66.2%	30.0%	0.5%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2016	10.2%	79.9%	7.1%	0.0%	1.3%	1.5%
2017	10.0%	81.4%	6.3%	0.0%	0.9%	1.4%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of $16,989,208, which is an increase of $1,768,525 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	$ 202,587	$ 501,886	$ (299,299)
Retirement contribution	1,474,858	1,179,250	295,608
Employee benefits accrued liability	3,419,503	3,393,661	25,842
Assigned:			
Appropriated fund balance	1,607,065	1,508,210	98,855
Unappropriated fund balance	31,330	48,070	(16,740)
Unassigned: Fund balance	9,897,976	8,218,577	1,679,399
	16,633,319	14,849,654	1,783,665
School Food Service Fund			
Nonspendable: Inventory	1,544	1,561	(17)
Assigned: Unappropriated fund balance	70,801	86,172	(15,371)
	72,345	87,733	(15,388)
Debt Service Fund			
Restricted: Debt service	283,544	283,296	248
Total Fund Balances	$ 16,989,208	$ 15,220,683	$ 1,768,525

A. General Fund

The net change in the general fund – fund balance is an increase of $1,783,665 compared to an increase of $2,482,982 in 2016. General fund revenues of $56,693,898 exceeded expenditures and other uses of $54,910,233, resulting in the increase in fund balance. Current year revenue and other sources were $320,920 more than the prior year, as a result of an increase in property taxes and state aid, offset by a reduction in operating transfers in. The prior year included an operating transfer in of $437,486 from unspent funds from a completed capital project. Current year expenditures and other uses were $1,020,237 more than the prior year. The increases were primarily in teaching regular school ($620,727), programs for student with disabilities ($189,913) and employee benefits ($193,122).

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of $15,388, which was the operating loss of the school food service fund.

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of $248 over the prior year, which represents interest earned on the fund balance.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was $58,054,485. This amount was increased by encumbrances carried forward from the prior year in the amount of $48,070, for a total final budget of $58,102,555.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $38,691,900 in estimated property taxes and STAR and $17,349,375 in state aid.

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

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

Opening, Unassigned Fund Balance	$ 8,218,577
Revenues Over Budget	352,623
Expenditures and Encumbrances Under Budget	3,160,992
Net Change in Restricted Fund Balances	(227,151)
Appropriated to Fund the June 30, 2018 Budget	(1,607,065)
Closing, Unassigned Fund Balance	$ 9,897,976

Opening, Unassigned Fund Balance

The $8,218,577 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was greater than the permissible New York State limit of 4% of the District's 2016-17 approved operating budget.

Revenues Over Budget

The 2016-17 final budget for revenues was $56,341,275. Actual revenues received for the year were $56,693,898 and exceeded estimated or budgeted revenues by $352,623, as they were higher than anticipated for charges for services, miscellaneous revenues and state sources. This variance contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was $58,102,555. Actual expenditures as of June 30, 2017 were $54,910,233 and outstanding encumbrances were $31,330. Combined, the expenditures plus encumbrances for 2016-17 were $54,941,563. The final budget was under expended by $3,160,992. This under expenditure was mainly in the central services, teaching regular school, programs for students with disabilities, pupil transportation and employee benefits appropriations. Expenditures under budget contribute directly to the change in the unassigned portion of the general fund fund balance from June 30, 2016 to June 30, 2017.

Net Change in Restricted Fund Balances

Monies transferred from budget lines within the general fund operating budget into required restricted fund balances do not affect the combined restricted, assigned and unassigned fund balances unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The $(227,151) shown in the previous table is made up of a $500,000 transfer into the retirement contribution reserve and $3,081 of interest earned on general fund reserves, offset by $275,930 appropriated from the employee benefit accrued liability reserve pursuant to Board approval for termination payouts.

Appropriated Fund Balance

The District has chosen to use $1,607,065 of the available June 30, 2017 fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2017 was $9,897,976. This unassigned portion is 16.70% of the 2017-18 budget, which is in excess of the permissible 4% statutory maximum.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of $1,435,871 in excess of capital additions of $117,005 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Land	$ 162,000	$ 162,000	$ -
Buildings and improvements	25,758,412	27,100,403	(1,341,991)
Furniture and equipment	565,596	542,471	23,125
Capital assets, net	$ 26,486,008	$ 27,804,874	$ (1,318,866)

B. Debt Administration

At June 30, 2017, the District had total bonds payable of $7,020,000. The bonds were issued for school building improvements and included the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
1992	5.75-6.20%	$ 2,020,000	$ 3,045,000	$ (1,025,000)
2007	3.50-4.00%	825,000	975,000	(150,000)
2010	3.125-4.125%	900,000	950,000	(50,000)
2013	2.00-5.00%	3,275,000	3,675,000	(400,000)
		$ 7,020,000	$ 8,645,000	$ (1,625,000)

The District also had installment purchase debt outstanding of $2,946,831. The decrease in outstanding debt represents the principal payments on installment debt offset by additional borrowing for the purchase of a vehicle. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2012	2.39%	$ 2,838,930	$ 3,074,175	$ (235,245)
2016	3.37%	29,508	36,294	(6,786)
2016	4.00%	46,759	61,142	(14,383)
2017	3.71%	31,634		31,634
		$ 2,946,831	$ 3,171,611	$ (224,780)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3.

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

	2017	2016	Increase (Decrease)
Compensated absences payable	$ 4,505,331	$ 4,496,633	$ 8,698
Workers' compensation liabilities	231,336	294,600	(63,264)
Net OPEB obligation	16,701,028	14,797,195	1,903,833
Net pension liability - proportionate share	2,741,940	1,805,339	936,601
	$ 24,179,635	$ 21,393,767	$ 2,785,868

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is $59,272,525. This is an increase of $1,218,040 or 2.10% over the previous year's budget.

The District budgeted revenues other than property taxes at a $460,625 increase over the prior year's estimate. This increase is principally due to an estimated increase in state aid. Additionally, the assigned, appropriated fund balance applied to the June 30, 2018 budget in the amount of $1,607,065 is a $98,855 increase over the previous year's balance. The District has also appropriated $205,000 of the retirement contribution reserve, which is unchanged from the prior year. A property tax increase of 1.70% was needed to meet the revenue shortfall and cover the increase in projected expenditures.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 1.70%. The District's 2017-18 property tax increase of 1.70% was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than $275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of $130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Ms. Linda Jensen
Assistant Superintendent for Business
Mount Sinai Union Free School District
North Country Road
Mount Sinai, New York 11766

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

ASSETS	
Cash	
Unrestricted	$ 13,920,637
Restricted	5,380,492
Receivables	
Accounts receivable	24,478
Due from fiduciary funds	1,717
Due from state and federal	2,610,915
Due from other governments	81,655
Inventories	1,544
Capital assets:	
Not being depreciated	162,000
Being depreciated, net of accumulated depreciation	26,324,008
Total Assets	48,507,446
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	17,327,585
LIABILITIES	
Payables	
Accounts payable	714,582
Accrued liabilities	482,446
Due to other governments	1,772
Due to teachers' retirement system	3,016,386
Due to employees' retirement system	124,273
Compensated absences	704,893
Unearned credits	
Collections in advance	37,987
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,683,205
Installment purchase debt payable	270,366
Compensated absences payable	500,000
Due and payable after one year	
Bonds payable, net	5,666,624
Installment purchase debt payable	2,676,465
Compensated absences payable	4,005,331
Workers' compensation liabilities	231,336
Net other postemployment benefits obligation	16,701,028
Net pension liability - proportionate share	2,741,940
Total Liabilities	39,558,634
DEFERRED INFLOWS OF RESOURCES	
Pensions	838,837
NET POSITION	
Net investment in capital assets	16,519,177
Restricted	
Workers' compensation	202,587
Retirement contribution	1,474,858
Employee benefit accrued liability	3,419,503
Debt service	283,544
	5,380,492
Unrestricted	3,537,891
Total Net Position	$ 25,437,560

See Notes to Financial Statements

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 5,765,337	$	$	$ (5,765,337)
Instruction	47,191,019	175,490	945,065	(46,070,464)
Pupil transportation	3,630,641			(3,630,641)
Community service	3,039			(3,039)
Debt service - interest	517,669			(517,669)
Food service program	801,635	614,511	162,332	(24,792)
Total Functions and Programs	$ 57,909,340	$ 790,001	$ 1,107,397	(56,011,942)
GENERAL REVENUES				
Real property taxes				33,656,867
Other tax items				5,035,828
Use of money and property				57,147
Forfeitures				1,714
Sale of property and compensation for loss				3,813
Miscellaneous				225,289
State sources				17,534,296
Medicaid reimbursement				4,113
Total General Revenues				56,519,067
Change in Net Position				507,125
Total Net Position - Beginning of Year				24,930,435
Total Net Position - End of Year				$ 25,437,560

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 13,554,864	$ 126,372	$ 239,401	$	$	$ 13,920,637
Restricted	5,096,948			283,544		5,380,492
Receivables						
Accounts receivable	19,983		4,495			24,478
Due from other funds	885,555					885,555
Due from state and federal	1,966,069	637,758	7,088			2,610,915
Due from other governments	81,655					81,655
Inventories			1,544			1,544
Total Assets	$ 21,605,074	$ 764,130	$ 252,528	$ 283,544	$ -	$ 22,905,276
LIABILITIES						
Payables						
Accounts payable	$ 675,351	$	$ 39,231	$	$	$ 714,582
Accrued liabilities	323,299					323,299
Due to other funds		764,130	119,708			883,838
Due to other governments	1,729		43			1,772
Due to teachers' retirement system	3,016,386					3,016,386
Due to employees' retirement system	124,273					124,273
Compensated absences payable	704,893					704,893
Unearned credits						
Collections in advance	16,786		21,201			37,987
Total Liabilities	4,862,717	764,130	180,183	-	-	5,807,030
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	109,038					109,038
FUND BALANCES						
Nonspendable:						
Inventories			1,544			1,544
Restricted						
Workers' compensation	202,587					202,587
Retirement contribution	1,474,858					1,474,858
Employee benefit accrued liability	3,419,503					3,419,503
Debt service				283,544		283,544
Assigned:						
Appropriated fund balance	1,607,065					1,607,065
Unappropriated fund balance	31,330		70,801			102,131
Unassigned: Fund balance	9,897,976					9,897,976
Total Fund Balances	16,633,319	-	72,345	283,544	-	16,989,208
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,605,074	$ 764,130	$ 252,528	$ 283,544	$ -	$ 22,905,276

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Fund Balances		$ 16,989,208
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building and acquiring capital assets (land, buildings and improvements, furniture and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 52,359,357	
Accumulated depreciation	(25,873,349)	
		26,486,008
Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	17,327,585	
Net pension liability - teachers' retirement system	(1,713,567)	
Net pension liability - employees' retirement system	(1,028,373)	
Deferred inflows of resources	(838,837)	
		13,746,808
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		109,038
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(159,147)	
Bonds payable, net	(7,349,829)	
Installment purchase debt payable	(2,946,831)	
Compensated absences payable	(4,505,331)	
Workers' compensation liabilities	(231,336)	
Net other postemployment benefits obligation	(16,701,028)	
		(31,893,502)
Total Net Position		$ 25,437,560

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 33,656,867	$	$	$	$	$ 33,656,867
Other tax items	5,035,828					5,035,828
Charges for services	175,490					175,490
Use of money and property	56,488		411	248		57,147
Forfeitures	1,714					1,714
Sale of property and compensation for loss	3,813					3,813
Miscellaneous	225,289	2,254				227,543
State sources	17,534,296	220,150	8,661			17,763,107
Medicaid reimbursement	4,113					4,113
Federal sources		722,661	153,671			876,332
Sales			614,511			614,511
Total Revenues	56,693,898	945,065	777,254	248	-	58,416,465
EXPENDITURES						
General support	4,940,010					4,940,010
Instruction	33,477,296	949,071				34,426,367
Pupil transportation	3,531,582	73,297				3,604,879
Community service	3,039					3,039
Employee benefits	10,381,729					10,381,729
Debt service						
Principal	1,890,069					1,890,069
Interest	609,205					609,205
Food service program			792,642			792,642
Capital outlay					40,289	40,289
Total Expenditures	54,832,930	1,022,368	792,642	-	40,289	56,688,229
Excess (Deficiency) of Revenues Over Expenditures	1,860,968	(77,303)	(15,388)	248	(40,289)	1,728,236
OTHER FINANCING SOURCES AND (USES)						
Proceeds of debt					40,289	40,289
Operating transfers in		77,303				77,303
Operating transfers (out)	(77,303)					(77,303)
Total Other Financing Sources and (Uses)	(77,303)	77,303	-	-	40,289	40,289
Net Change in Fund Balances	1,783,665		(15,388)	248	-	1,768,525
Fund Balances - Beginning of Year	14,849,654		87,733	283,296		15,220,683
Fund Balances - End of Year	$ 16,633,319	$ -	$ 72,345	$ 283,544	$ -	$ 16,989,208

See Notes to Financial Statements

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2017

Net Change in Fund Balances		$ 1,768,525
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.		
Decrease in workers' compensation liabilities	$ 63,264	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	(8,698)	
Increase in net other postemployment benefits obligation	(1,903,833)	
		(1,849,267)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	117,005	
Depreciation expense	(1,435,871)	
		(1,318,866)
Long-Term Debt Transaction Differences		
Proceeds from the issuance of debt is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(40,289)	
Amortization of bond premiums on advance refunding of bonds does not affect the governmental funds, but is recorded in the Statement of Activities.	58,205	
Repayment of long-term 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.		
Repayment of bond principal	1,625,000	
Repayment of installment purchase debt	265,069	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2016 to June 30, 2017.	33,331	
		1,941,316
Pension Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Teachers' retirement system	88,918	
Employees' retirement system	(123,501)	
		(34,583)
Change in Net Position of Governmental Activities		$ 507,125

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 176,316	$
Restricted		4,936
Due from other governments	50	
Total Assets	$ 176,366	4,936
LIABILITIES		
Extraclassroom activity balances	$ 139,236	
Due to governmental funds	1,717	
Other liabilities	35,413	
Total Liabilities	$ 176,366	-
NET POSITION		
Restricted for scholarships		$ 4,936

See Notes to Financial Statements

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2017

		Private Purpose Trust
ADDITIONS		
Investment earnings - interest	$	3
Contributions		450
Total Additions		453
DEDUCTIONS		
Scholarships and awards		500
Change in Net Position		(47)
Net Position - Beginning of Year		4,983
Net Position - End of Year	$	4,936

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

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

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Inventories

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

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

L. Capital Assets

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

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

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

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. Collections in Advance

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

O. Deferred Inflows of Resources

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

P. Employee Benefits – Compensated Absences

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

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

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

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

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

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

Q. Other Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

R. Short-Term Debt

The District may issue 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 TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

S. Equity Classifications

<u>District-Wide Statements</u>

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

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

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

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

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

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

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the

Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District continues to evaluate its plan to bring the unassigned fund balance to be within the permissible limit.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed $2,702,620 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $442,421. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State Aid	$ 1,766,980
BOCES aid	199,089
	1,966,069
Special Aid Fund	
Federal and state grants	637,758
School Food Service Fund	
Federal and state food service program reimbursements	7,088
	$ 2,610,915

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017 consisted of general fund – charges for services due from other school districts in the amount of $81,655.

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 885,555	$	$	$ 77,303
Special Aid Fund		764,130	77,303	
School Food Service Fund		119,708		
Total Governmental Funds	885,555	883,838	$ 77,303	$ 77,303
Fiduciary Funds		1,717		
Total	$ 885,555	$ 885,555		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools.

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	$ 162,000	$	$	$ 162,000
Total capital assets not being depreciated	162,000	-	-	162,000
Capital assets being depreciated				
Buildings and improvements	49,868,091			49,868,091
Furniture and equipment	2,243,616	117,005	(31,355)	2,329,266
Total capital assets being depreciated	52,111,707	117,005	(31,355)	52,197,357
Less accumulated depreciation for:				
Buildings and improvements	22,767,688	1,341,991		24,109,679
Furniture and equipment	1,701,145	93,880	(31,355)	1,763,670
Total accumulated depreciation	24,468,833	1,435,871	(31,355)	25,873,349
Total capital assets, being depreciated, net	27,642,874	(1,318,866)	-	26,324,008
Capital assets, net	$ 27,804,874	$ (1,318,866)	$ -	$ 26,486,008

Depreciation expense was charged to governmental functions as follows:

General support	$ 23,941
Instruction	1,402,937
Food service program	8,993
Total depreciation expense	$ 1,435,871

10. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2016	Issued	Redeemed	Balance June 30, 2017
TAN	6/29/2017	1.50%	$ -	$ 7,900,000	$ (7,900,000)	$ -

Interest on short-term debt for the year was $105,333. The District had received a premium of $52,538 on this borrowing resulting in a net effective interest rate of 0.75%.

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 8,645,000	$	$ (1,625,000)	$ 7,020,000	$ 1,625,000
Add: Premium on					
Advance Refunding	388,034		(58,205)	329,829	58,205
	9,033,034		(1,683,205)	7,349,829	1,683,205
Installment purchase debt	3,171,611	40,289	(265,069)	2,946,831	270,366
	12,204,645	40,289	(1,948,274)	10,296,660	1,953,571
Other long-term liabilities					
Compensated absences	4,496,633	8,698		4,505,331	500,000
Workers' compensation	294,600	165,395	(228,659)	231,336	
	4,791,233	174,093	(228,659)	4,736,667	500,000
	$ 16,995,878	$ 214,382	$ (2,176,933)	$ 15,033,327	$ 2,453,571

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Construction Bond	1992	2/15/2019	5.75-6.20%	$ 2,020,000
Construction Bond	2007	3/15/2022	3.50-4.00%	825,000
Construction Bond	2010	2/15/2030	3.125-4.125%	900,000
Refunding Bond	2013	1/15/2024	2.00-5.00%	3,275,000
				$ 7,020,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 1,625,000	$ 344,909	$ 1,969,909
2019	1,630,000	257,954	1,887,954
2020	665,000	171,019	836,019
2021	710,000	142,594	852,594
2022	740,000	110,156	850,156
2023-2027	1,425,000	169,688	1,594,688
2027-2030	225,000	18,469	243,469
Total	$ 7,020,000	$ 1,214,789	$ 8,234,789

C. Advance Refunding

In the district-wide statements, the District is amortizing the refunding bond premium as a component of interest expense on a straight-line basis at $58,205 per year through fiscal year June 30, 2023.

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Energy performance contract	2012	9/2027	2.39%	$ 2,838,930
Vehicle	2016	10/2020	3.37%	29,508
Equipment	2016	7/2020	4.00%	46,759
Vehicle	2017	11/2020	3.71%	31,634
				$ 2,946,831

The following is a summary of maturing amounts due for installment purchase debt:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 270,366	$ 70,492	$ 340,858
2019	277,281	63,576	340,857
2020	284,379	56,478	340,857
2021	274,791	49,193	323,984
2022	264,918	42,403	307,321
2023-2027	1,423,249	113,355	1,536,604
2028	151,847	1,815	153,662
Total	$ 2,946,831	$ 397,312	$ 3,344,143

E. Interest Expense

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

Interest paid	$	503,872
Less interest accrued in the prior year		(192,478)
Plus interest accrued in the current year		159,147
Less: amortization of bond premium		(58,205)
Total interest expense on long-term debt	$	412,336

12. PENSION PLANS -NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.52% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was $2,911,730 for TRS and $489,046 for ERS.

D. Pension Assets/Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	$ (1,713,567)	$ (1,028,373)
District's portion of the Plan's total net pension liability	0.1599910%	0.0109445%
Change in proportion since the prior measurement date	0.0007900	(0.0003035)

For the year ended June 30, 2017, the District recognized a pension expense of $2,819,181 for TRS and $612,547 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$	$ 25,770	$ 556,663	$ 156,164
Changes of assumptions	9,761,571	351,330		
Net difference between projected and actual earnings on pension plan investments	3,853,001	205,408		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	11,578	82,924	116,129	9,881
District's contributions subsequent to the measurement date	2,911,730	124,273		
Total	$ 16,537,880	$ 789,705	$ 672,792	$ 166,045

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	TRS	ERS
2018	$ 1,176,600	$ 218,121
2019	1,176,600	218,121
2020	4,168,947	192,516
2021	3,237,941	(129,371)
2022	1,476,772	
Thereafter	1,716,498	
	$ 12,953,358	$ 499,387

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

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

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	$ (22,357,382)	$ (1,713,567)	$ 15,601,382

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (3,284,421)	$ (1,028,373)	$ 879,111

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	$ (108,577,184)	$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	$ (1,071,042)	$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2017 amounted to $2,911,730 of employer contributions and $104,656 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $124,273 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled $408,000 and $1,316,513, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017, totaled $14,650.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District provides medical, Medicare part B reimbursement, and dental coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District assumes its share of the cost of the premiums, which ranges from 50 - 100% as determined by the employment contract of the District's retiree, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of $1,535,675 for insurance premiums for 139 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

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 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 3,253,871
Interest on net OPEB obligation	739,860
Adjustment to ARC	(554,223)
Annual OPEB cost (expense)	3,439,508
Contributions made	(1,535,675)
Increase in net OPEB obligation	1,903,833
Net OPEB obligation - beginning of year	14,797,195
Net OPEB obligation - end of year	$ 16,701,028

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 3,439,508	44.6%	$ 16,701,028
June 30, 2016	3,082,837	45.3%	14,797,195
June 30, 2015	2,951,180	55.1%	13,111,115

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $45,818,484 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $45,818,484. The covered payroll (annual payroll of active employees covered by the plan) was $28,283,155, and the ratio of the UAAL to the covered payroll was 162%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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.

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.00% discount rate and an annual healthcare cost trend rate for medical inflation starting at 5.60% and decreasing to 3.94% using the Getzen Model Output. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

15. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims, which were incurred on or before year end but not reported (IBNR). The actuarial assumptions utilized a 3.5% discount rate. Claims activity is summarized below:

	2016	2017
Unpaid claims at beginning of year	$ 334,370	$ 294,600
Incurred claims and claim adjustment expenses	105,143	165,395
Claim payments	(144,913)	(228,659)
Unpaid claims at year end	$ 294,600	$ 231,336

16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate $205,000 from the retirement contribution reserve, which is reported in the June 30, 2017 restricted fund balance, to fund the budget for the year ending June 30, 2018.

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $1,607,065 has been appropriated to reduce taxes for the year ending June 30, 2018.

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts, classified as assigned unappropriated fund balance:

Assigned: Unappropriated Fund Balance	
General Fund	
General support	$ 25,925
Instruction	5,405
	$ 31,330

B. Grants

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $103,385. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 77,219
2019	20,178
2020	5,618
	$ 103,015

19. SUBSEQUENT EVENTS

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

Issuance of TANs

On July 27, 2017, the District issued tax anticipation notes in the amount of $7,400,000, which are due June 27, 2018, and bear interest at a stated rate of 2.25%. The District received premiums of $64,677 with the borrowing to yield an effective interest rate of 1.30%.

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 33,572,592	$ 33,656,692	$ 33,656,867	$ 175
Other tax items	5,119,308	5,035,208	5,035,828	620
Charges for services	80,000	80,000	175,490	95,490
Use of money and property	45,000	45,000	56,488	11,488
Forfeitures			1,714	1,714
Sale of property and compensation for loss			3,813	3,813
Miscellaneous	175,000	175,000	225,289	50,289
Total Local Sources	38,991,900	38,991,900	39,155,489	163,589
State Sources	17,349,375	17,349,375	17,534,296	184,921
Medicaid Reimbursement			4,113	4,113
Total Revenues	56,341,275	56,341,275	56,693,898	$ 352,623
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,508,210	1,508,210		
Prior Year's Encumbrances	48,070	48,070		
Appropriated Reserves	205,000	205,000		
Total Appropriated Fund Balance	1,761,280	1,761,280		
Total Revenues and Appropriated Fund Balance	$ 58,102,555	$ 58,102,555		

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.

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 37,500	$ 45,550	$ 27,209	$	$ 18,341
Central administration	294,645	294,645	285,073		9,572
Finance	641,518	660,367	631,197	5,488	23,682
Staff	334,095	372,300	294,562		77,738
Central services	3,730,991	3,667,611	3,122,648	20,437	524,526
Special items	612,000	612,000	579,321		32,679
Total General Support	5,650,749	5,652,473	4,940,010	25,925	686,538
Instruction					
Administration & improvement	1,758,635	1,762,935	1,531,733	3,263	227,939
Teaching - regular school	20,603,393	20,397,840	20,010,786		387,054
Programs for students with disabilities	7,827,435	7,826,539	7,164,804		661,735
Occupational education	150,000	150,000	78,474		71,526
Teaching - special schools	106,940	106,940	95,615		11,325
Instructional media	1,158,286	1,212,382	1,136,162		76,220
Pupil services	3,455,047	3,579,505	3,459,722	2,142	117,641
Total Instruction	35,059,736	35,036,141	33,477,296	5,405	1,553,440
Pupil Transportation	3,919,650	3,935,396	3,531,582		403,814
Community Services	9,075	9,075	3,039		6,036
Employee Benefits	10,795,480	10,795,480	10,381,729		413,751
Debt Service					
Principal	1,883,950	1,890,075	1,890,069		6
Interest	683,915	683,915	609,205		74,710
Total Debt Service	2,567,865	2,573,990	2,499,274	-	74,716
Total Expenditures	58,002,555	58,002,555	54,832,930	31,330	3,138,295
OTHER FINANCING USES					
Operating Transfers Out	100,000	100,000	77,303		22,697
Total Expenditures and Other Uses	$ 58,102,555	$ 58,102,555	54,910,233	$ 31,330	$ 3,160,992
Net Change in Fund Balance			1,783,665		
Fund Balance - Beginning of Year			14,849,654		
Fund Balance - End of Year			$ 16,633,319		

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.

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)
June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	$ -	$ 45,818,484	$ 45,818,484	0%	$ 28,283,155	162.0%
July 1, 2014	-	39,077,985	39,077,985	0%	24,568,104	159.1%
July 1, 2012	-	36,309,478	36,309,478	0%	26,051,895	139.4%

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Three Fiscal Years

Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.1599910%	0.1592010%	0.1566650%
District's proportionate share of the net pension asset (liability)	$ (1,713,567)	$ 16,535,915	$ 17,451,486
District's covered payroll	$ 25,771,837	$ 25,145,033	$ 24,166,422
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.65)%	65.76 %	72.21 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Employees' Retirement System

	2017	2016	2015
District's proportion of the net pension liability	0.0109445%	0.0112480%	0.0112043%
District's proportionate share of the net pension liability	$ (1,028,373)	$ (1,805,339)	$ (378,510)
District's covered payroll	$ 3,398,402	$ 3,476,612	$ 3,543,110
District's proportionate share of the net pension liability as a percentage of its covered payroll	(30.26)%	(51.93)%	(10.68)%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

Employees' Retirement System

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

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 2,911,730	$ 3,277,940	$ 4,191,677	$ 3,754,700	$ 2,747,372	$ 2,650,812	$ 1,985,508	$ 1,431,642	$ 1,704,272	$ 1,812,235
Contributions in relation to the contractually required contribution	2,911,730	3,277,940	4,191,677	3,754,700	2,747,372	2,650,812	1,985,508	1,431,642	1,704,272	1,812,235
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$25,136,441	$25,771,837	$25,145,033	$24,166,422	$24,276,858	$24,647,316	$23,699,903	$23,754,972	$23,196,248	$20,903,502
Contributions as a percentage of covered payroll	12%	13%	17%	16%	11%	11%	8%	6%	7%	9%

Employees' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 489,046	$ 519,364	$ 568,148	$ 632,328	$ 655,879	$ 551,155	$ 387,463	$ 255,352	$ 239,022	$ 252,443
Contributions in relation to the contractually required contribution	489,046	519,364	568,148	632,328	655,879	551,155	387,463	255,352	239,022	252,443
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 3,369,093	$ 3,506,952	$ 3,487,139	$ 3,501,807	$ 3,522,376	$ 3,519,854	$ 3,446,075	$ 3,268,643	$ 3,242,436	$ 3,051,369
Contributions as a percentage of covered payroll	15%	15%	16%	18%	19%	16%	11%	8%	7%	8%

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$	58,054,485
Additions:		
Prior year's encumbrances		48,070
Original Budget		58,102,555
Budget revision		-
Final Budget	$	58,102,555

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget			$	59,272,525
Maximum allowed (4% of 2017-18 budget)			$	2,370,901
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:				
Unrestricted fund balance:				
Assigned fund balance	$	1,638,395		
Unassigned fund balance		9,897,976		
			$	11,536,371
Less:				
Appropriated fund balance		1,607,065		
Encumbrances		31,330		
Total adjustments				1,638,395
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:			$	9,897,976
Actual Percentage				16.70%

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2017

			Expenditures				Methods of Financing				Fund
	Budget	Budget	Prior	Current		Unexpended	Proceeds of				Balance
PROJECT TITLE	June 30, 2016	June 30, 2017	Years	Year	Total	Balance	Obligations	State Aid	Local Sources	Total	June 30, 2017
Vehicles & equipment	$ -	$ 40,289	$ -	$ 40,289	$ 40,289	$ -	$ 40,289	$ -	$ -	$ 40,289	$ -

MOUNT SINAI UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2017

Capital assets, net	$ 26,486,008
Deduct:	
Short-term portion of bonds payable	(1,625,000)
Long-term portion of bonds payable	(5,395,000)
Short-term portion of installment purchase debt	(270,366)
Long-term portion of installment purchase debt	(2,676,465)
	(9,966,831)
Net investment in capital assets	$ 16,519,177

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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

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

To the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Mount Sinai Union Free School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

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

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

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Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Mount Sinai Union Free School District in a separate letter dated October 12, 2017.

Purpose of this Report

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

Cullen & Danowski, LLP

October 12, 2017