PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2018

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the District, under existing statues, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

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

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$19,500,000* TAX ANTICIPATION NOTES FOR 2018 – 2019 TAXES

(the "Notes")

Date of Issue: October 24, 2018 **Maturity Date: June 27, 2019**

The Notes are general obligations of the South Huntington Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See *"The Tax Levy Limit Law"* herein).

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

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases 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 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. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See *"Description of Book-Entry System"* herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on October 10, 2018 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about October 24, 2018.

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

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*Preliminary, subject to change.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

60 Weston Street
Huntington Station, New York 11746
Telephone: 631/812-3001
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BOARD OF EDUCATION

Nicholas R. Ciappetta, J.D., President
Laura Carey, Vice President

Board Members

Andrew D. Bronson
Michele Degaetano
Sidney B. Joyner
Linda LaCara
Edward J. Nitkewicz, J.D.

Dr. David P. Bennardo, Superintendent of Schools
Dr. Joseph T. Centamore, Assistant Superintendent for Business and District Operations
Laura McLean, District Clerk
Christine Rapp, District Treasurer

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

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

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

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

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OFFICIAL STATEMENT

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

Relating To

$19,500,000* TAX ANTICIPATION NOTES FOR 2018 – 2019 TAXES

(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the South Huntington Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $19,500,000* Tax Anticipation Notes for 2018 - 2019 Taxes (the "Notes").

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

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Joseph T. Centamore, Assistant Superintendent for Business and District Operations, South Huntington Union Free School District, 60 Weston Street, Huntington Station, NY 11746, Phone (631) 812-3001, Fax (631) 812-3005 and email: jcentamore@shufsd.org.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Description of Book-entry System

In the event that the Notes are issued in 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

*Preliminary, subject to change.

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

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2018-2019 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2018-2019 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

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 2018-2019 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, 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.

Security and Source of Payment

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended, ("The Tax Levy Limit Law"). (See "*The Tax Levy Limit Law*" herein).

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded 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 limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, including 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. (See "*The Tax Levy Limit Law,*" herein.)

REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

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

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

THE DISTRICT

Description

The District, located in the Town of Huntington comprises an area of approximately 10 square miles on the eastern side of the boundary line between Nassau and Suffolk Counties on Long Island. Located about 35 miles from New York City, the District is residential in nature but includes some significant commercial development, such as the Walt Whitman Shopping Center and other retail and banking establishments on New York State Route 110, which traverses the District. In addition to employment opportunities in or near the District, many residents commute to New York City or Nassau County.

Public utility services, fire and police protection are provided to residents of the District by Suffolk County Water Authority, PSEG Long Island, Huntington Township Refuse, Huntington Manor Fire Department, Suffolk County Police Department and Verizon.

Air transportation is available at the New York metropolitan airports; the Long Island Railroad has two stations located just outside the District. In addition, the District is served by the Long Island Expressway, New York State Routes 25 and 110 and numerous County and other local roads providing adequate surface transportation.

District Organization

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

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

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

Enrollment History

School Year	School Enrollment
2013-2014	6,040
2014-2015	6,065
2015-2016	6,101
2016-2017	6,087
2017-2018	5,913

Estimated Future District Enrollment

School Year	School Enrollment
2018-2019	5,801
2019-2020	5,800

School Facilities and Insurable Values

Name of School	Year Originally Built	Type	Insured Value
Walt Whitman High	1956, 1963	Secondary	$89,385,460
Memorial	1958	Leased	47,483,309
Stimson Jr. High	1964	Secondary	42,684,024
Birchwood	1955	Elementary	21,277,225
Countrywood	1964, 1966	Elementary	22,908,745
Maplewood	1956, 1961	Elementary	21,216,558
Oakwood	1955, 1966	Elementary	22,333,078
Silas Wood	1951, 1964	Secondary	21,995,856
West Hill	1958	Admin. Bldg	11,317,228
#2 Melville Road	1975	Leased	5,730,920
Teen Center	1961	Leased/Alt. H.S.	1,414,705
Bus Garage	2008	Transp. Bldg	2,609,196
South Huntington Library	2004	Library	14,852,600

Employees

The District provides services through approximately 1,058 employees, the majority of whom are represented by the following units of organized labor:

Name of Union	Expiration Date of Contract	Approx. No. of Members[a]
South Huntington Teachers' Association	06/30/2024	554
South Huntington Administrators's Association	06/30/2023	29
United Publi Service Employees Local 424-Custodians	06/30/2020	134
South Huntington Office Staff Association	06/30/2020	86
United Publi Service Employees Local 424-School Lunch Workers	06/30/2019	41
South Huntington Registered Nurses Association	06/30/2019	14
South Huntington Paraprofessionals Association	06/30/2020	199
South Huntington Chairpersons Association	06/30/2019	5
United Public Service Employees Local 424 - Security	06/30/2019	21
United Public Service Employees Local 424 - Security - Safety Officers Unit	06/30/2019	29

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

Year	Town of Huntington	Suffolk County	New York State
1980	201,530	1,284,231	17,558,165
1990	191,474	1,321,864	18,044,505
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2017	203,263	1,492,953	19,849,399

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

Income Data

	Per Capita Money Income			
	1990	2000	2010	2017[a]
Town of Huntington	$24,810	$36,390	$45,590	$51,332
Suffolk County	18,481	26,577	35,411	41,331
New York State	16,501	23,389	30,791	37,156

	Median Household Income			
	1990	2000	2010	2017[a]
Town of Huntington	$60,530	$82,528	$101,495	$106,642
Suffolk County	49,128	65,288	84,235	94,750
New York State	32,965	43,393	55,217	64,894

Source: United States Bureau of the Census
a. Note: Based on American Community Survey 1-Year Estimate (2017)

Largest Employers

Code	Name of Employer	Nature of Business
A	South Huntington UFSD	Education
B	Walt Whitman Centre, Inc.	Shopping Mall
B	Target, Inc.	Retail

KEY:

Code	Number of Employees
A	more than 1,000
B	500-100

Source: Town of Islip Economic Development Division.
a. Not all of the employers are located in the District.

Unemployment Rate Statistics

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

Annual Averages:	Town of Huntington (%)	Suffolk County (%)	New York State (%)
2013	5.6	6.5	7.7
2014	4.5	5.3	6.4
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017	4.0	4.4	4.6
2018 (6 Month Average)	4.0	4.4	4.5

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the 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) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purposes determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

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

Statutory Procedure

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

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

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

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

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

Computation of Debt Limit and Debt Contracting Margin
(As of October 2, 2018)

In Town of:	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Huntington (2017-2018)[a]	$43,042,836	0.84	$5,124,147,143
Debt Limit - 10% of Full Valuation			512,414,714
Inclusions:[b]			
Outstanding Bonds			$28,585,000
Total Indebtedness			28,585,000
Exclusions (Estimated Building Aid)[c]			11,880,862
Total Net Indebtedness			16,704,138
Net Debt Contracting Margin			$495,710,576
Per Cent of Debt Contracting Margin Exhausted (%)			3.26%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

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

Outstanding Long-Term Bond Indebtedness

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

Trend of Outstanding Debt

	2014	2015	2016	2017	2018
Bonds	$47,665,000	$43,795,000	$39,005,000	$33,970,000	$30,140,000
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	$47,665,000	$43,795,000	$39,005,000	$33,970,000	$30,140,000

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$3,550,000	$1,155,194	$4,705,194
2020	3,270,000	1,029,207	4,299,207
2021	3,305,000	904,569	4,209,569
2022	3,355,000	773,456	4,128,456
2023	2,810,000	648,781	3,458,781
2024	2,915,000	531,769	3,446,769
2025	2,595,000	416,313	3,011,313
2026	2,650,000	306,000	2,956,000
2027	2,350,000	199,581	2,549,581
2028	1,710,000	112,450	1,822,450
2029	1,330,000	55,225	1,385,225
2030	300,000	11,250	311,250
Totals	$30,140,000	$6,143,795	$36,283,795

Debt Service Requirements – Energy Performance Contract[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$ 719,135	$ 300,345	$1,019,480
2020	767,768	272,514	1,040,282
2021	797,481	242,801	1,040,282
2022-2026	4,474,935	726,478	5,201,413
2027	1,001,524	38,759	1,040,283
Totals	$7,760,843	$1,580,897	$9,341,740

a. Does not include payments made to date, if any.

Revenue and Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes and revenues, which borrowing is necessitated by the schedule of real property tax and State aid revenue payments.

The following is a history of such tax and revenue anticipation note borrowings in the five most recent years:

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2014	$21,000,000	TAN	10/3/2013	06/26/2014
2015	15,000,000	TAN	10/23/2014	06/26/2015
2016	15,000,000	TAN	10/20/2015	06/28/2016
2017	17,000,000	TAN	10/27/2016	06/27/2017
2018	17,500,000	TAN	10/17/2017	06/27/2018

Authorized But Unissued Items

As of the date of this Statement the District has no authorized and 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	03/21/2018	2.92	$70,401,896	$37,083,255
Town of Huntington	06/20/2018	13.81	14,506,024	9,972,005
Fire Districts (Est.)	12/31/2016	Var.	400,000	400,000
Totals			$85,307,920	$47,455,260

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

Debt Ratios
(As of October 2, 2018)

	Amount	Per Capita[a]	Percentage Of Full Value (%)[b]
Total Direct Debt	$ 28,585,000	$ 724	0.56
Net Direct Debt	16,704,138	423	0.33
Total Direct & Applicable Total Overlapping Debt	113,892,920	2,885	2.22
Net Direct & Applicable Net Overlapping Debt	64,159,398	1,625	1.25

a. The current estimated population of the District is 39,476.
b. The full valuation of taxable real property in the District for 2016-17 is $5,124,147,143.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2018. A copy of such report is included herein as Appendix C.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

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

Revenues

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

Real Property Taxes

See *"Tax Information"* herein.

State Aid

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

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

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2014	$142,521,844	$27,458,620	19.27
2015	146,718,231	30,125,305	20.53
2016	150,445,682	31,386,968	20.86
2017	152,928,623	33,589,419	21.96
2018	156,663,224	35,344,669	22.56
2019 (Budgeted)[a]	170,505,675	37,362,297	21.91

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

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

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

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

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

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

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

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 $2,900,702.

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

Expenditures

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

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

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

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

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 10.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on July 22, 2016. The purpose of the audit was to evaluate the District's financial condition for the period July 1, 2014 through December 31, 2015. The complete report may be found on the State Comptroller's official website. References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

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

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

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

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

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

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

Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 21 years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

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

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

Fiscal Year Ending June 30:	TRS	ERS
2014	$ 6,758,443	$3,194,786
2015	10,004,554	3,364,271
2016	7,857,388	3,102,809
2017	7,118,974	2,753,273
2018	6,377,649	2,636,644
2019 (Budget)	7,650,000	3,000,000

Source: Audited Financial Statements and District Officials.

Other Post-Employment Benefits

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

GASB Statement No. 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)	$15,315,544
Interest on net OPEB obligation	2,797,588
Less: Adjustments to ARC	(3,889,861)
Annual OPEB cost (expense)	14,223,271
Less: Contributions made	(4,776,699)
Increase in net OPEB obligation	9,446,572
Net OPEB obligation-beginning of year	69,939,702
Net OPEB obligation-end of year	$79,386,274

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	$15,315,544	34	$79,386,274
June 30, 2016	13,807,543	34	69,939,702
June 30, 2015	12,400,970	34	60,833,832

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

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

TAX INFORMATION

Real Property Taxes

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

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

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2014	$142,521,844	$93,567,610	65.65
2015	146,718,231	95,680,811	65.21
2016	150,445,682	97,288,411	64.67
2017	152,928,623	98,365,162	64.32
2018	156,663,224	100,213,468	63.97
2019 (Budgeted)[a]	170,505,675	112,183,535	65.79

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

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax Receiver. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receiver distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

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

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds 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.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

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

Approximately 6.0% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District received full reimbursement of such exempt taxes from the State in January 2018. Approximately 6.0% of the District's 2018-2019 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2019. (See *"State Aid"* herein).

Rebate Program

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

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

Valuations, Rates Levies and Collections

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2014 through 2018.

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation	Tax Levy	Amount Uncollected
2014	$44,388,223	0.90	$4,932,024,778	$2,413.70	$107,139,711	0
2015	44,012,287	0.89	4,945,200,787	2,468.71	108,653,751	0
2016	43,545,651	0.86	5,063,447,791	2,537.82	110,510,917	0
2017	43,291,600	0.85	5,093,129,412	2,553.92	110,621,172	0
2018	43,042,836	0.84	5,124,147,143	2,604.36	112,183,797	0

Source: Town of Southampton Tax Rate Sheet.

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

Name	Type	Assessed Valuation
The Retail Property Trust	Shopping Center	$2,000,000
Long Island Power Authority	Utility	429,357
Federal Realty Investment Trust	Commercial	385,000
Target Corporation	Shopping Center	203,250
Keyspan Corporation	Utility	187,242
S & L Birchwood Realty, LLC	Commercial	80,000
K98 Senior LLC	Home for Aged	80,000
Cold Spring Country Club Inc.	Golf Course	76,168
CAF Huntington LLC	Commercial	72,500
Weiss Family Enerprises LLC	Commercial	71,900
Hren B Realty LLC	Commercial	70,000
Kahn Property Owner LLC	Shopping Center	69,400
LG Other Associates LLC	Commercial	66,775
Verizon	Utility	65,886
CCD Realty LLC	Commercial	62,000
	Total	$3,919,478

a. Represents 9.11% of the total assessed valuation of the District for 2017-2018.
Source: Town Assessment Rolls.

Tax Certiorari Claims

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

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

DISCLOSURE UNDERTAKING

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

Disclosure Compliance History

The following table sets forth the annual filings for each of the five preceding fiscal years.

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2014	12/12/2014	11/17/2014
2015	12/09/2015	10/20/2015
2016	12/15/2016	10/12/2016
2017	11/20/2017	10/16/2017
2018	-	09/21/2018

Certain annual information for the previous five fiscal years were each filed with EMMA more than 180 days following the end of each respective fiscal year; but in no event later than 183 days following the end of each respective year. Such confusion arose from the miscalculation of 180 days from the end of each respective fiscal year. Such matter has been remedied and all future annual disclosure documents will be filed on a timely basis.

On September 8, 2014, the District filed a material event notice indicating that they did not file in a timely manner with regard to a rating change for the outstanding bonds of the District. On September 1, 2011, Moody's Investors Service upgraded the rating on the District's (NY) outstanding General Obligation (GO) bonds from "Aa2" to "Aa1."

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

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

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

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

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

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

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

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. To mitigate such risk the District has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. In addition, the District maintains an insurance policy covering cyber liability. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

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

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “tax-exempt Premium Note”). In general, under Section 171 of the Code, an owner of a tax-exempt Premium Note must amortize the note premium over the remaining term of the tax-exempt Premium Note, based on the owner’s yield over the remaining term of the tax-exempt Premium Note, determined based on constant yield principles (in certain cases involving a tax-exempt Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note).

An owner of a tax-exempt Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Note may realize a taxable gain upon disposition of the tax-exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any tax-exempt Premium Note should consult their own tax advisors regarding the treatment of note premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of tax-exempt Premium Notes.

Information Reporting and Backup Withholding

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

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

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

LEGAL MATTERS

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

RATING

The Notes are not rated. Moody’s Investors Service (“Moody’s”), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, has assigned a rating of “Aa1” to the outstanding insured bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal 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 municipal 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 Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Joseph T. Centamore, Assistant Superintendent for Business and District Operations, South Huntington Union Free School District, 60 Weston Street, Huntington Station, NY 11746, Phone (631) 812-3001, Fax (631) 812-3005 and email: jcentamore@shufsd.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: www.munistat.com.

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

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

By: s/s NICHOLAS R. CIAPETTA, J.D.
President of the Board of Education
South Huntington Union Free School District
Huntington Station, New York

October , 2018

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	2014	2015	2016	2017	2018
Revenues:					
Real Property Taxes	$ 93,567,610	$ 95,680,811	$ 97,288,411	$ 98,365,162	$ 100,213,468
Other Tax Items - Including STAR	13,572,709	12,974,382	13,223,851	12,256,975	11,971,606
Charges for Services	2,891,318	2,536,464	2,218,897	2,340,773	2,436,146
Use of Money and Property	1,455,853	1,470,989	1,520,951	1,439,568	1,716,780
Sale of Property & Compensation for Loss	47,592	52,370	10,220	16,587	7,979
Miscellaneous	1,134,442	1,235,821	1,650,021	1,341,169	1,138,135
Interfund Revenues	2,393,700	2,531,971	2,842,703	3,112,670	3,422,536
State Sources	27,458,620	30,125,305	31,386,968	33,589,419	35,344,669
Federal Sources	0	110,118	303,660	466,300	411,905
Total Revenues	142,521,844	146,718,231	150,445,682	152,928,623	156,663,224
Expenditures:					
General Support	12,046,345	13,040,775	13,784,670	13,754,279	13,864,851
Instruction	77,372,505	80,450,711	85,827,171	87,774,466	88,226,043
Pupil Transportation	7,822,857	8,284,759	8,281,923	8,755,026	9,154,718
Community Service	17,482	14,838	15,101	19,169	12,704
Employee Benefits	34,189,412	36,042,659	35,838,411	35,973,558	36,831,104
Debt Service	7,068,020	6,839,992	6,774,631	6,708,040	6,527,598
Total Expenditures	138,516,621	144,673,734	150,521,907	152,984,538	154,617,018
Other Sources and Uses:					
Operating Transfers (In)	0	161,193	84,415	0	0
Operating Transfers (Out)	(364,625)	(300,000)	(300,000)	(1,310,941)	(1,372,190)
Total Other Sources and Uses	(364,625)	(138,807)	(215,585)	(1,310,941)	(1,372,190)
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,640,598	1,905,690	(291,810)	(1,366,856)	674,016
Net Adjustments to Fund Balances					(493,294)
Fund Balance - Beg. of Year	29,760,102	33,400,700	35,306,390	35,014,580	33,647,724
Fund Balance - End of Year	$ 33,400,700	$ 35,306,390	$ 35,014,580	$ 33,647,724	$ 33,828,446

Sources: Audited Financial Statements of the District
NOTE: This table NOT audited

Balance Sheet - General Fund

Fiscal Year Ended June 30:

		2017		2018
ASSETS:				
Cash				
Unrestricted	$	17,318,863	$	17,209,805
Restricted		20,168,012		19,843,807
Receivables:				
Accounts Receivable		54,935		46,794
State and Federal Aid		1,969,037		1,732,360
Due From Other Governments		1,713,148		1,688,185
Due From Other Funds		2,936,775		2,648,679
Due to Fiduciary Funds				528,440
Total Assets	$	44,160,770	$	43,698,070
LIABILITIES:				
Payables:				
Accounts Payable	$	761,251	$	827,776
Accrued Liabilities		240,552		122,044
Due To Other Governments		222,039		443,775
Due To Other Funds		373		
Due To Teachers' Retirement System		7,429,562		6,814,035
Due To Employees Retirement System		898,631		738,310
Deferred Revenues		240,231		203,277
Unearned Credits - Collections in Advance				
Compensated Absences		720,407		720,407
Total Liabilities	$	10,513,046	$	9,869,624
FUND BALANCES:				
Non-spendable				
Restricted		20,168,012		19,843,807
Assigned		6,806,086		7,167,828
Unassigned		6,673,626		6,816,811
Total Fund Balances	$	33,647,724	$	33,828,446
Total Liabilities and Fund Balances	$	44,160,770	$	43,698,070

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Budget Summary

Fiscal Year Ending June 30:

	2017-2018(a)	2018-2019(b)
Revenues:		
Real Property Taxes	$ 112,183,534	$ 114,599,696
State Aid	35,090,153	37,362,297
Use of Money & Property	1,600,000	1,425,000
Intergovernmental Funds	2,225,000	1,961,400
Health Fees	1,900,000	1,800,000
Insurance Contributions	2,500,000	3,000,000
Reserves	1,893,753	4,250,000
Miscellaneous Income	502,400	570,000
Appropriated Fund Balance	4,900,000	5,537,282
Total Revenues	$ 162,794,840	$ 170,505,675
Expenditures:		
General Support	$ 15,020,652	$ 15,304,713
Instruction	91,777,466	96,213,221
Pupil Transportation	9,717,827	9,779,260
Community Services	26,700	26,700
Employee Benefits	36,910,000	39,796,781
Medicare Reimbursements	1,100,000	1,200,000
Debt Service	7,927,195	7,870,000
Interfund Transfers	315,000	315,000
Total Expenditures	$ 162,794,840	$ 170,505,675

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

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

APPENDIX B

CASH FLOW SUMMARIES

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
CASH FLOW SUMMARY 2017-2018 (Actual)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	
Balance	37,487	30,395	24,626	20,233	25,859	13,760	1,597	55,055	53,198	56,849	47,515	53,607	37,487	(1)
Receipts:														
Property Taxes	0	0	0	0	0	2,311	52,043	6,587	1,130	926	16,595	20,622	100,214	
Library Taxes	0	0	0	0	0	0	2,962	0	0	0	0	2,962	5,924	
STAR Payment	0	0	0	0	0	0	11,970	0	0	0	0	0	11,970	
State Aid	0	0	4,423	240	226	1,748	197	509	14,159	0	0	3,039	24,541	
Other Receipts	713	1,796	2,739	1,157	1,332	251	170	1,357	981	1,585	849	1,812	14,742	
TAN Proceeds	0	0	0	17,500	0	0	0	0	0	0	0	0	17,500	
Total Receipts	713	1,796	7,162	18,897	1,558	4,310	67,342	8,453	16,270	2,511	17,444	28,435	174,891	
Disbursements														
Salary and Benefits	1,598	1,390	6,289	6,728	6,531	10,736	6,549	6,737	7,466	6,766	6,623	20,707	88,120	
Service & Support	4,774	4,679	3,131	5,058	7,105	4,528	5,520	3,566	4,656	3,580	4,721	4,945	56,263	
Debt Service	1,003	15	2,135	4	21	1,209	19	7	497	18	8	1,593	6,529	
Library Taxes	0	1,481	0	1,481	0	0	1,481	0	0	1,481	0	0	5,924	
Interfund Transfers	0	0	0	0	0	0	315	0	0	0	0	0	315	
Other Disbursements	430	0	0	0	0	0	0	0	0	0	0	0	430	
TAN Repayment Provision	0	0	0	0	0	0	0	0	0	0	0	17,500	17,500	
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	243	243	
Total Disbursements	7,805	7,565	11,555	13,271	13,657	16,473	13,884	10,310	12,619	11,845	11,352	44,988	175,324	
Balance (End of Month)	30,395	24,626	20,233	25,859	13,760	1,597	55,055	53,198	56,849	47,515	53,607	37,054	37,054	
TAN 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	17,500	17,500	
Disbursements	0	0	0	0	0	0	0	0	0	0	0	17,500	17,500	
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	

(1) Balance as of June 30, 2017, includes certain restricted reserves of approximately $20.2 million.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
CASH FLOW SUMMARY 2018-2019 (Projected)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	
Balance	37,054	29,487	24,765	21,085	27,832	14,804	1,379	55,347	53,432	59,632	49,564	54,849	37,054	(1)
Receipts:														
Property Taxes	0	0	0	0	0	2,400	53,000	6,600	1,200	950	16,600	21,350	102,100	
Library Taxes	0	0	0	0	0	0	2,986	0	0	0	0	2,987	5,973	
STAR Payment	0	0	0	0	0	0	12,500	0	0	0	0	0	12,500	
State Aid	0	0	5,000	500	500	1,900	500	1,000	17,000	500	500	9,962	37,362	
Other Receipts	754	1,893	3,000	1,750	1,500	500	300	2,000	1,500	2,000	1,200	2,147	18,544	
TAN Proceeds	0	0	0	19,500	0	0	0	0	0	0	0	0	19,500	
Total Receipts	754	1,893	8,000	21,750	2,000	4,800	69,286	9,600	19,700	3,450	18,300	36,446	195,979	
Disbursements														
Salary and Benefits	1,855	1,452	6,500	7,500	7,000	11,500	7,000	7,000	8,000	7,500	7,500	21,965	94,772	
Service & Support	5,444	3,648	3,395	6,000	8,000	5,500	6,500	4,500	5,000	4,500	5,500	5,500	63,487	
Debt Service	1,022	22	1,785	10	28	1,225	25	15	500	25	15	1,303	5,975	
Library Taxes	0	1,493	0	1,493	0	0	1,493	0	0	1,493	0	0	5,972	
Interfund Transfers	0	0	0	0	0	0	300	0	0	0	0	0	300	
TAN Repayment Provision	0	0	0	0	0	0	0	0	0	0	0	19,500	19,500	
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	400	400	
Total Disbursements	8,321	6,615	11,680	15,003	15,028	18,225	15,318	11,515	13,500	13,518	13,015	48,668	190,406	
Balance (End of Month)	29,487	24,765	21,085	27,832	14,804	1,379	55,347	53,432	59,632	49,564	54,849	42,627	42,627	
TAN 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	19,500	19,500	
Disbursements	0	0	0	0	0	0	0	0	0	0	0	19,500	19,500	
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	

(1) Balance as of June 30, 2018, includes certain restricted reserves of amproximately $19.8 million.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

APPENDIX C

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

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT’S AUDITORS IN CONNECTION WITH THE PREPARATION 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.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

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Robert S. Abrams
(1926–2014)

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Huntington Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the South Huntington Union Free School District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, South Huntington Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 60 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018, on our consideration of the South Huntington 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 South Huntington Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 18, 2018

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the South Huntington Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in the District restating (reducing) beginning net position in the amount of $98,780,522, from total net position (deficit) of $(9,481,956) to a restated opening net position (deficit) of $(108,262,478). The District also recorded deferred inflows related to other postemployment benefits, which will be recognized in future periods. See Note 17 and Note 20 of the financial statements for the impact of the implementation on the financial statements.

- On the District-Wide Financial Statements, the District's total net deficit increased by $4,014,641 or 3.71% to a deficit of $112,277,119. This increase in the deficit was due to an excess of expenses over revenues based on the accrual basis of accounting.

- On the District-Wide Financial Statements, revenues increased by $2,891,710 or 1.80%. Most of the increase was in property taxes, other tax items, and state sources.

- On the District-Wide Financial Statements, expenses decreased by $483,197 or 0.29%, primarily due to decreases in instructional expenses, food service program expenses and debt service interest, offset by increases in general support and pupil transportation.

- The District maintained its Moody's rating of Aa1 due to the District's well managed financial operations, marked by healthy reserve levels and a relatively low debt burden.

- On May 15, 2018 the proposed 2018-2019 budget in the amount of $170,505,675 was authorized by the District's residents. The budget passed by 73.55% of those who voted.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

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

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

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

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

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

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

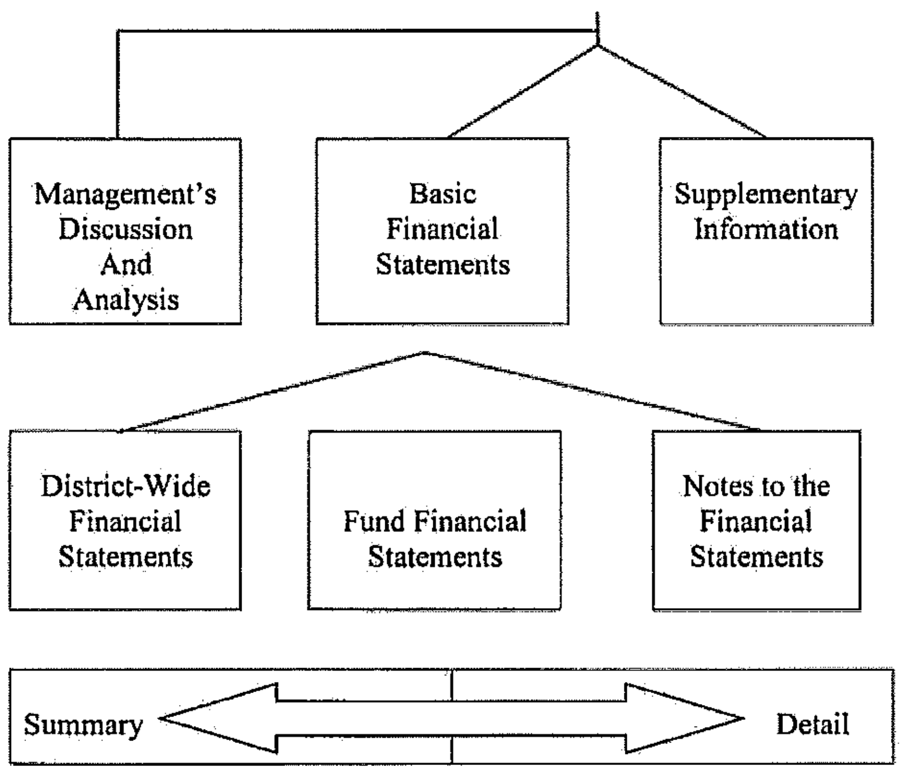


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

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

A) District-Wide Financial Statements:

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

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

- Over time, increases and decreases in the District's net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

In the District-Wide Financial Statements, the District's activities are shown as *Governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and

- Allocate net position balances as follows:
  - *Net investment in capital assets;*
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
  - *Unrestricted net position (deficit)* includes net amounts that do not meet any of the above restrictions.

B) Fund Financial Statements

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

The District has two kinds of funds:

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

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net deficit increased by $4,014,641 in the fiscal year ended June 30, 2018, as detailed in Table A-3.

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

	Fiscal Year 2018	Fiscal Year 2017 *	Increase / (Decrease)	Percentage Change
Current assets and other assets	$ 48,103,335	$ 48,869,731	$ (766,396)	(1.57%)
Capital assets, net of accumulated depreciation	54,471,661	55,251,385	(779,724)	(1.41%)
Net pension asset - proportionate share	2,913,912	-	2,913,912	
Total Assets	105,488,908	104,121,116	1,367,792	1.31%
Deferred outflows of resources	45,032,180	45,158,868	(126,688)	(0.28%)
Total Assets and Deferred Outflows of Resources	$ 150,521,088	$ 149,279,984	$ 1,241,104	0.83%
Current and other liabilities	$ 9,970,382	$ 10,599,576	$ (629,194)	(5.94%)
Long-term liabilities	236,711,879	242,046,022	(5,334,143)	(2.20%)
Total Liabilities	246,682,261	252,645,598	(5,963,337)	(2.36%)
Deferred inflows of resources	16,115,946	4,896,864	11,219,082	229.11%
Total Liabilities and Deferred Inflows of Resources	262,798,207	257,542,462	5,255,745	2.04%
Net investment in capital assets	16,715,146	13,230,441	3,484,705	26.34%
Restricted	19,843,807	20,168,012	(324,205)	(1.61%)
Unrestricted (deficit)	(148,836,072)	(141,660,931)	(7,175,141)	(5.07%)
Total Net Position (deficit)	(112,277,119)	(108,262,478)	(4,014,641)	(3.71%)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 150,521,088	$ 149,279,984	$ 1,241,104	0.83%

*Long-term liabilities and unrestricted net position (deficit) for 2017 have been restated for the implementation of GASB Statement No. 75, see Note 17 and 20 for further information.

Current and other assets decreased by $766,396 from 2017 to 2018 primarily due to decreases in state and federal aid receivable, due from other governments and accounts receivable offset by increases in inventories.

Capital assets, net of accumulated depreciation decreased by $779,724 primarily due to depreciation on capital assets exceeding capital assets additions.

Net pension asset-proportionate share increased $2,913,912 as a result of an increase in the District's proportionate share of the net pension asset as reported by the New York State Teachers' Retirement System ("TRS").

Deferred outflows of resources decreased by $126,688. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by $629,194. This was attributable to decreases in accrued liabilities, due to the teachers' and employees' retirement systems, compensated absences payable, and accrued interest payable offset by increases in accounts payable, due to other governments and collections in advance.

Long-term liabilities decreased by $5,334,143 due to decreases in bonds payable, energy performance contract debt payable, installment purchase debt payable, claims payable and the proportionate share of net pension liability for TRS and ERS, offset by increases in compensated absences payable and the other post-employment benefits ("OPEB") obligation.

Deferred inflows of resources increased by $11,219,082 primarily due to an increase in deferred inflows for ERS and for TRS, which are actuarial adjustments at the plan level, that will be amortized in future years, as well as an increase in deferred inflows for other post-employment benefits, offset by a decrease in gain on defeasance.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by $3,484,705 primarily due to capital asset additions and principal payments on related debt.

Restricted net position decreased by $324,205 primarily due to the appropriation of the retirement contribution reserve in the 2017-2018 voter approved budget, offset by funding of the retirement contribution and employee benefit accrued liability reserves and interest allocated to reserves. The total unrestricted deficit increased by $4,666,079. The total net deficit increased by $4,014,641.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the fiscal years ended June 30, 2018 and 2017 are as follows:

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

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 3,196,295	$ 3,105,547	$ 90,748	2.92%
Operating Grants	6,829,510	7,026,704	(197,194)	(2.81%)
Capital Grants	-	298,260	(298,260)	(100.00%)
General Revenues				
Property Taxes and Other Tax Items	112,185,074	110,622,137	1,562,937	1.41%
State Sources	35,344,669	33,818,990	1,525,679	4.51%
Use of Money and Property	1,716,780	1,439,568	277,212	19.26%
Other	4,251,218	4,320,630	(69,412)	(1.61%)
Total Revenues	163,523,546	160,631,836	2,891,710	1.80%
Expenses				
General Support	18,543,331	18,321,507	221,824	1.21%
Instruction	134,006,813	134,504,392	(497,579)	(0.37%)
Pupil Transportation	10,825,519	10,573,074	252,445	2.39%
Food Service Program	2,557,400	2,731,806	(174,406)	(6.38%)
Community Services	12,969	19,433	(6,464)	(33.26%)
Debt Service - Interest	1,592,155	1,871,172	(279,017)	(14.91%)
Total Expenses	167,538,187	168,021,384	(483,197)	(0.29%)
Total Change in Net Position	$ (4,014,641)	$ (7,389,548)	$ 3,374,907	45.67%

Information for 2017 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Note 14 for more information.

The District's total fiscal year 2018 revenues were $163,523,546 (See Table A-4). Property taxes and state sources accounted for most of the District's revenue by contributing 68.60% and 21.61%, respectively of total revenue (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property and other miscellaneous sources.

The District's revenues increased by $2,891,710 or 1.80%, which is primarily attributable to increases in state sources, property taxes and other tax items and use of money and property, offset by decreases in grants and other sources. State sources increased by $1,525,679 primarily as a result of increases in general aid, excess cost aid, lottery aid, BOCES aid and other state aid.

The total cost of all programs and services totaled $167,538,187 for fiscal year 2018. These expenses are predominantly related to instruction and caring for (pupil services) and transporting students, which account for 86.45% of District expenses (See Table A-6). The District's general support activities accounted for 11.07% of total costs.

The District's expenses for the year decreased by $483,197 or 0.29%, which is primarily attributable to decreases in instruction, food service program, community services and debt service-interest, offset by an increase in general support and transportation expenses.

Table A- 5 – Revenues for Fiscal Year 2018 (See Table A-4)

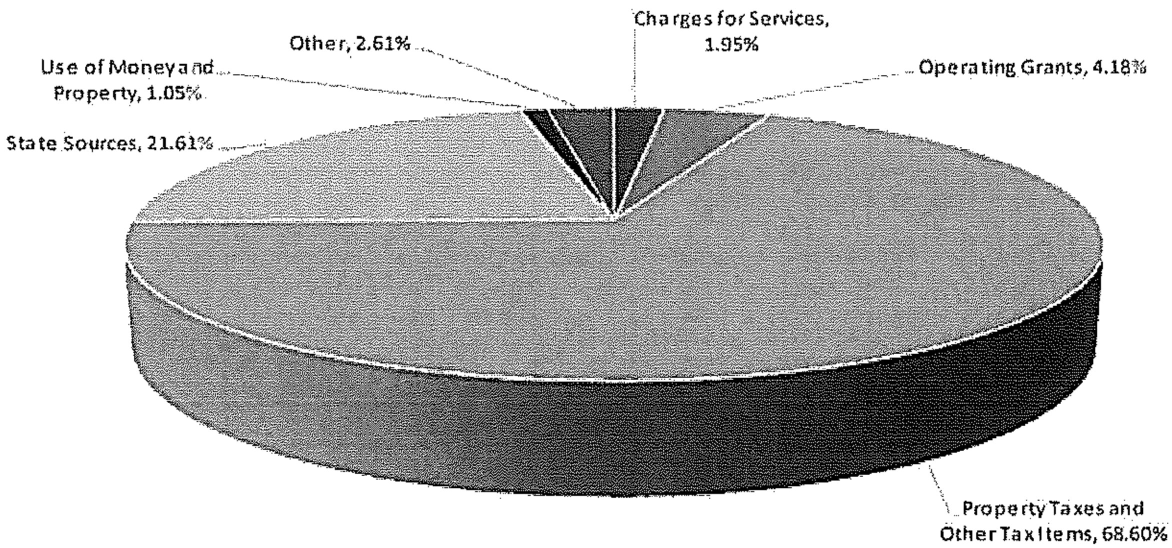
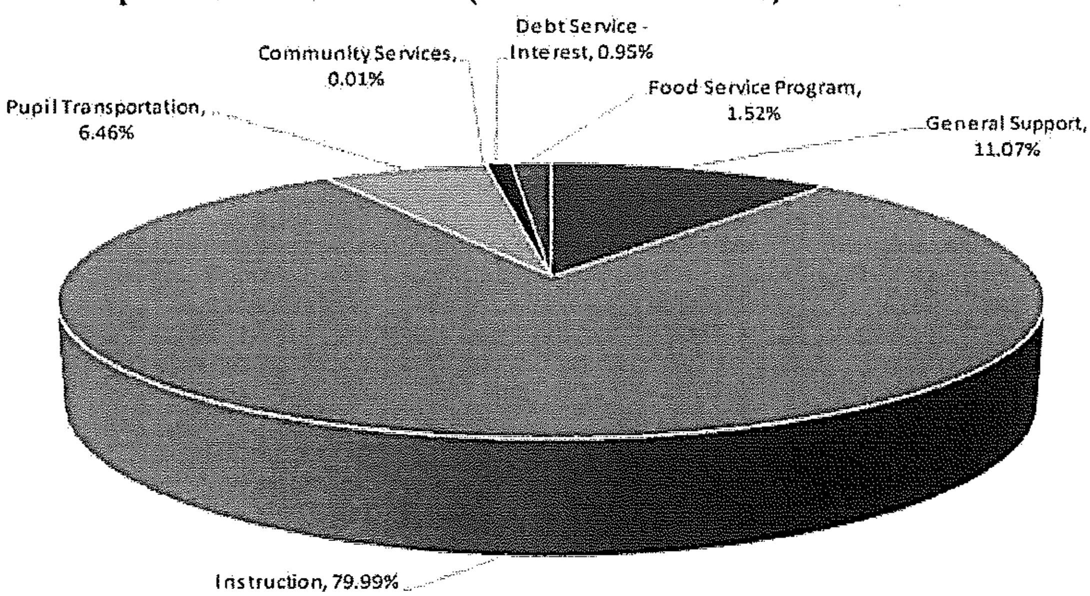


Table A-6 - Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



A) Governmental Activities

The overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strong tax base;
- Strategic use of services from the Western Suffolk BOCES; and
- Improved curriculum and community support.

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
General support	$ 18,543,331	$ 18,321,507	$ 18,543,331	$ 18,321,507
Instruction	134,006,813	134,504,392	126,499,270	126,890,055
Pupil transportation	10,825,519	10,573,074	10,825,519	10,325,949
Food service program	2,557,400	2,731,806	39,138	162,757
Community services	12,969	19,433	12,969	19,433
Debt service - interest	1,592,155	1,871,172	1,592,155	1,871,172
Total	$ 167,538,187	$ 168,021,384	$ 157,512,382	$ 157,590,873

- The cost of all governmental activities this year was $167,538,187. (Statement of Activities and Changes in Net Position - Expenses column-see Exhibit 3)

- The users of the District's programs financed $3,196,295 of the cost. (Statement of Activities and Changes in Net Position - Charges For Services column-see Exhibit 3)

- The federal and state governments subsidized certain programs with grants of $6,829,510 (Statement of Activities and Changes in Net Position – Operating Grants column-see Exhibit 3)

- Most of the District's net costs of $157,512,382 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Position - Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2018, the District's combined governmental funds reported a combined fund balance of $35,372,228, which is an increase of $434,301 from the prior year. This increase is due to an increase in the general fund of $180,722, an increase in the school lunch fund of $68,877 and an increase in the capital projects fund of $184,702.

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

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for employee benefit accrued liability	$ 8,838,183	$ 8,213,731	$ 624,452	7.60%
Restricted for retirement contribution	7,201,639	7,742,205	(540,566)	(6.98%)
Restricted for unemployment insurance	330,387	328,502	1,885	0.57%
Restricted for workers' compensation	2,802,026	3,215,834	(413,808)	(12.87%)
Restricted for insurance	671,572	667,740	3,832	0.57%
Assigned - appropriated for:				
Subsequent year's expenditures	5,537,282	4,900,000	637,282	13.01%
Assigned - unappropriated for:				
Other post employment benefits	1,233,034	1,833,034	(600,000)	(32.73%)
General support	267,563	41,991	225,572	537.19%
Instruction	108,284	31,061	77,223	248.62%
Pupil transportation	21,665	-	21,665	
Unassigned-reserve for tax reduction	-	161,832	(161,832)	(100.00%)
Unassigned-other	6,816,811	6,511,794	305,017	4.68%
Total Fund Balance - General Fund	33,828,446	33,647,724	180,722	0.54%
School Lunch Fund				
Nonspendable - inventory	133,728	104,922	28,806	27.45%
Assigned	240,096	200,025	40,071	20.03%
Total Fund Balance - School Lunch Fund	373,824	304,947	68,877	22.59%
Capital Projects Fund				
Unspent debt proceeds	24,062	-	24,062	
Assigned	1,145,896	985,256	160,640	16.30%
Total Fund Balance - Capital Project Fund	$ 1,169,958	$ 985,256	$ 184,702	18.75%
Total Fund Balance - all funds	$ 35,372,228	$ 34,937,927	$ 434,301	1.24%

The District can attribute changes to fund balances and reserves primarily due to Board approved transfers in, transfers out to pay expenses, and allocation of interest and earnings.

A) General Fund

The general fund – fund balance increased by $180,722 during the year as compared to a decrease of $1,366,856 in the prior year. Actual operating revenues increased by $3,734,601 mainly due to an increase in state aid and real property tax revenue of $1,755,250 and $1,848,306, respectively. Actual operating expenditures increased $1,632,480, mainly due to increases in employee benefits and instructional expenditures of $857,546 and $451,577, respectively, as well as increases in pupil transportation expenditures of $399,692. The general fund transferred $315,000 to the special aid fund and $1,057,190 to the capital projects fund to fund various district-wide improvements. In addition, the District budgeted the use of $1,000,000 for the retirement contribution reserve in the voter approved 2017-2018 budget.

B) School Lunch Fund

The school lunch fund – fund balance increased by $68,877 during the year as compared to an operating loss of $122,393 in the prior year. This increase was primarily due to operating revenues in excess of expenditures.

C) Capital Projects Fund

The capital projects fund – fund balance increased by $184,702 during the year as compared to an increase of $985,256 in the prior year. This increase is primarily due to other financing sources in excess of expenditures. The capital projects fund received an operating transfer from the general fund of $1,057,190 to fund various district-wide improvements.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Adopted Budget:

The District's general fund original budget for the fiscal year ended June 30, 2018 was $162,794,840. This amount was increased by encumbrances carried forward from the prior year in the amount of $73,052 and a budget revision funded by donations of $11,149, which resulted in a final budget of $162,879,041. The majority of the funding was property taxes, STAR revenue and state aid of $147,273,687.

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

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

Opening, unassigned fund balance	$	6,673,626
Revenues over budget		652,261
Expenditures and encumbrances under budget		6,492,321
Other changes in fund balance		(493,294)
Allocation of interest to reserves		(116,678)
Funding of reserves		(1,292,311)
Change in assigned fund balance-OPEB		600,000
Change in unassigned fund balance-reserve for tax reduction		(161,832)
Assigned, appropriated for June 30, 2019		(5,537,282)
Closing, unassigned fund balance	$	6,816,811

Opening, Unassigned Fund Balance

The $6,673,626 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned and not restricted or assigned for subsequent year's taxes.

Revenues Over Budget

The revenues over budget of $652,261 were primarily attributable to state aid and interfund revenues, offset by miscellaneous revenues and charges for services. (See Supplemental Schedule 1 for details).

Expenditures and Encumbrances Under Budget

The expenditures and encumbrances under budget of $6,492,321 were primarily in central services, teaching – regular school, programs for children with handicapping conditions, pupil services, pupil transportation, and employee benefits. (See Supplemental Schedule 1 for details).

Other Changes in Fund Balance

The other changes in fund balance of $493,294 represents a write-off of summer school handicapped program receivables from prior fiscal years (See Note 21).

Allocation of interest to reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

The reserves earned interest as follows:

Tax reduction reserve	$	929
Employee benefit accrued liability		47,141
Retirement contribution		44,434
Unemployment insurance		1,885
Worker's compensation		18,457
Insurance		3,832
Total interest allocation	$	116,678

Funding of reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance 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 portion of the fund balance by the amount of the transfers.

The funding of reserves consisted of $415,000 to the retirement contribution reserve and $877,311 to the employee benefit accrued liability reserve. Pursuant to the resolutions set by the Board of Education, these funds are set aside by the District to cover future expenditures.

Change in assigned fund balance – OPEB

The decrease of $600,000 in assigned fund balance represents a reduction of the assigned fund balance for OPEB for the fiscal year ending June 30, 2018.

Change in unassigned fund balance – reserve for tax reduction

The decrease of $161,832 in unassigned fund balance-reserve for tax reduction represents a reduction of the unassigned fund balance-reserve for tax reduction for the year ending June 30, 2018. Since this was a component of opening, unassigned fund balance, this therefore reduces unassigned fund balance.

Appropriated Fund Balance

The District has chosen to use $5,537,282 of its available June 30, 2018 fund balance to partially fund its 2018-2019 approved operating budget.

Closing, Unassigned Fund Balance

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2018. A summary of the District's capital assets net of depreciation are as follows:

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

Category	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percentage Change
Land & Land Improvements	$ 2,833,451	$ 2,803,451	$ 30,000	1.07%
Construction in process	14,744	14,744	-	0.00%
Buildings & Building Improvements	106,173,487	105,308,729	864,758	0.82%
Furniture & Equipment	7,006,431	6,611,975	394,456	5.97%
Vehicles	6,027,659	5,749,071	278,588	4.85%
Subtotal	122,055,772	120,487,970	1,567,802	1.30%
Less: Accumulated Depreciation	65,236,585	65,236,585	-	0.00%
Total Net Capital Assets	$ 56,819,187	$ 55,251,385	$ 1,567,802	2.84%

The District spent $872,488 from the capital projects fund, $684,533 from the general fund on building improvements and equipment purchases and $40,544 in the school lunch fund on equipment purchases during the year. These were offset by a disposal of equipment with a cost of $29,763 and accumulated depreciation of $26,516, which resulted in a loss on disposal of $3,247. The District has $1,169,958 in the capital projects fund available for various projects.

B) Debt Administration

At June 30, 2018, the District had total bonds payable of $30,140,000, energy performance contract debt of $7,760,843 and installment purchase debt payable of $267,313. Principal payments were made in the amount of $3,830,000 for serial bonds, $670,547 for energy performance contract and $152,832 for installment purchase debt. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

	2018	2017	Increase/ (Decrease)
Serial bonds	$ 30,140,000	$ 33,970,000	$ (3,830,000)
Energy performance contract debt	7,760,843	8,431,390	(670,547)
Installment purchase debt payable	267,313	420,145	(152,832)
Total	$ 38,168,156	$ 42,821,535	$ (4,653,379)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The general fund budget for the 2018-2019 school year in the amount of $170,505,675 was approved by 70.62% of the voters. This is an increase of $7,710,835 or 4.74% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

B) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services, uncertainty with state aid and the enactment of the Real Property Tax Levy Limit ("Tax Cap") Law by New York State which will continue to impact the District's ability to fund its current cost of services (see below).

C) New York State law limits the increase in the property tax levy of school district 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. The District's 2018-2019 property tax increase fell within the tax cap and did not require an override vote.

D) New York State law provides a "Property Tax Relief Credit" to eligible taxpayers for the 2017-2018 through 2019-2020 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, 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. Eligible District taxpayers received a tax credit in the form of 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 taxpayers' income.

This property tax credit program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

South Huntington Union Free School District
Dr. Joseph Centamore
Assistant Superintendent for Business & District Operations
60 Weston Street
Huntington Station, New York 11746
(631) 812-3001

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current assets	
Cash	
Unrestricted	$ 18,859,567
Restricted	19,867,869
Receivables	
Accounts receivable	385,974
State and federal aid	4,154,572
Due from other governments	4,173,185
Due from fiduciary funds	528,440
Inventories	133,728
Non-current assets	
Capital assets	
Capital assets, not being depreciated	606,997
Capital assets being depreciated, net of accumulated depreciation	53,864,664
Net pension asset - proportionate share - teachers' retirement system	2,913,912
TOTAL ASSETS	105,488,908
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	45,032,180
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 150,521,088
LIABILITIES	
Payables	
Accounts payable	$ 1,157,506
Accrued liabilities	145,544
Due to other governments	444,019
Due to teachers' retirement system	6,814,035
Due to employees' retirement system	738,310
Compensated absences payable	203,277
Accrued interest payable	444,682
Unearned credits	
Collections in advance	23,009
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,550,000
Energy performance contract debt	719,135
Installment purchase debt payable	130,664
Claims payable	322,576
Compensated absences payable	259,158
Due and payable after one year	
Bonds payable	26,590,000
Energy performance contract debt	7,041,708
Installment purchase debt payable	136,649
Claims payable	1,652,621
Compensated absences payable	10,264,951
Net pension liability - proportionate share - employees' retirement system	1,605,072
Total other post-employment benefits obligation	184,439,345
TOTAL LIABILITIES	246,682,261
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance	2,097,421
Pensions	13,540,869
Total other post-employment benefits obligation	477,656
TOTAL DEFERRED INFLOWS OF RESOURCES	16,115,946
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	262,798,207
NET POSITION	
Net investment in capital assets	16,715,146
Restricted:	
Employee benefit accrued liability	8,838,183
Retirement contribution	7,201,639
Unemployment insurance	330,387
Workers' compensation	2,802,026
Insurance	671,572
	19,843,807
Unrestricted (deficit)	(148,836,072)
TOTAL NET POSITION (DEFICIT)	(112,277,119)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 150,521,088

See Accompanying Notes to Financial Statements

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	$ (18,543,331)	$ -	$ -	$ (18,543,331)
Instruction	(134,006,813)	2,436,146	5,071,397	(126,499,270)
Pupil transportation	(10,825,519)			(10,825,519)
Food service program	(2,557,400)	760,149	1,758,113	(39,138)
Community services	(12,969)			(12,969)
Debt service-interest	(1,592,155)			(1,592,155)
TOTAL FUNCTIONS AND PROGRAMS	$(167,538,187)	$ 3,196,295	$ 6,829,510	$ (157,512,382)
GENERAL REVENUES				
Real property taxes				100,213,468
Other tax items - including STAR reimbursement				11,971,606
Use of money and property				1,716,780
Sale of property and compensation for loss				7,979
Miscellaneous				3,831,334
State sources				35,344,669
Medicaid reimbursement				411,905
TOTAL GENERAL REVENUES				153,497,741
CHANGE IN NET POSITION				(4,014,641)
TOTAL NET POSITION - BEGINNING OF YEAR BEFORE RESTATEMENT				(9,481,956)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 20)				(98,780,522)
TOTAL NET POSITION - BEGINNING OF YEAR AS RESTATED				(108,262,478)
TOTAL NET POSITION - END OF YEAR				$ (112,277,119)

See Accompanying Notes to Financial Statements

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	$ 17,209,805	$ 296,838	$ 156,022	$ 1,196,902	$ 18,859,567
Restricted	19,843,807	-	-	24,062	19,867,869
Receivables					
Accounts receivable	46,794	326,619	12,561	-	385,974
Due from state and federal aid	1,732,360	2,324,819	97,393	-	4,154,572
Due from other governments	1,688,185	-	-	-	1,688,185
Due from other funds	2,648,679	-	-	-	2,648,679
Due from fiduciary funds	528,440	-	-	-	528,440
Inventories	-	-	133,728	-	133,728
TOTAL ASSETS	$ 43,698,070	$ 2,948,276	$ 399,704	$ 1,220,964	$ 48,267,014
LIABILITIES AND FUND BALANCE					
Payables					
Accounts payable	$ 827,776	$ 274,767	$ 3,957	$ 51,006	$ 1,157,506
Accrued liabilities	122,044	19,475	4,025	-	145,544
Due to other governments	443,775	-	244	-	444,019
Due to other funds	-	2,648,679	-	-	2,648,679
Due to teachers' retirement system	6,814,035	-	-	-	6,814,035
Due to employees' retirement system	738,310	-	-	-	738,310
Compensated absences	203,277	-	-	-	203,277
Unearned credits					
Collections in advance	-	5,355	17,654	-	23,009
TOTAL LIABILITIES	9,149,217	2,948,276	25,880	51,006	12,174,379
DEFERRED INFLOWS OF RESOURCES					
General and Excess cost aid	720,407	-	-	-	720,407
FUND BALANCES					
Non-spendable: Inventory	-	-	133,728	-	133,728
Restricted:					
Employee benefit accrued liability	8,838,183	-	-	-	8,838,183
Retirement contributions	7,201,639	-	-	-	7,201,639
Unemployment	330,387	-	-	-	330,387
Workers' compensation	2,802,026	-	-	-	2,802,026
Insurance	671,572	-	-	-	671,572
Unspent debt proceeds	-	-	-	24,062	24,062
Committed	-	-	-	-	-
Assigned:					
Appropriated fund balance	5,537,282	-	-	-	5,537,282
Unappropriated fund balance	1,630,546	-	240,096	1,145,896	3,016,538
Unassigned:					
Unassigned fund balance	6,816,811	-	-	-	6,816,811
TOTAL FUND BALANCES	33,828,446	-	373,824	1,169,958	35,372,228
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 43,698,070	$ 2,948,276	$ 399,704	$ 1,220,964	$ 48,267,014

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances		$ 35,372,228
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of the building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 122,055,772	
Accumulated depreciation	(67,584,111)	54,471,661
Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		
Gain on defeasance		(2,097,421)
Deferred inflows of resources for general and excess cost aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method.		720,407
Deferred inflows of resources - The Statement of Net Position recognized revenue received and expenditures incurred under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows that will be recognized as revenue in future periods amounted to:		
Pensions	(13,540,869)	
Other post-employment benefits	(477,656)	(14,018,525)
Payables that are associated with long-term liabilities are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:		
Accrued interest on bonds, installment debt and energy performance debt		(444,682)
Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows that will be recognized as expenditures in future periods amounted to:		
Pensions		45,032,180
Due from other governments for bonds payable being paid by the Library is not included on the fund balance sheet.		2,485,000
Proportionate share of long-term liability or asset and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - proportionate share - teachers' retirement system		2,913,912
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(30,140,000)	
Energy performance contract payable	(7,760,843)	
Installment purchase debt payable	(267,313)	
Claims payable	(1,975,197)	
Compensated absences payable	(10,524,109)	
Total other post-employment benefits obligation	(184,439,345)	
Net pension liability - proportionate share (ERS)	(1,605,072)	(236,711,879)
Total Net Position		$(112,277,119)

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	$ 100,213,468	$ -	$ -	$ -	$ 100,213,468
Other tax items - including STAR reimbursement	11,971,606	-	-	-	11,971,606
Charges for services	2,436,146	-	-	-	2,436,146
Use of money and property	1,716,780	-	-	-	1,716,780
Sale of property and compensation for loss	7,979	-	-	-	7,979
Miscellaneous	1,138,135	-	92,201	-	1,230,336
Interfund revenue	3,422,536	-	-	-	3,422,536
Local sources	-	296,759	-	-	296,759
State sources	35,344,669	1,941,418	48,129	-	37,334,216
Federal sources	411,905	3,129,979	1,553,800	-	5,095,684
Surplus food	-	-	156,184	-	156,184
Sales	-	-	760,149	-	760,149
TOTAL REVENUES	156,663,224	5,368,156	2,610,463	-	164,641,843
EXPENDITURES					
General support	13,864,851	-	-	-	13,864,851
Instruction	88,226,043	5,341,490	-	-	93,567,533
Pupil transportation	9,154,718	341,666	-	-	9,496,384
Community services	12,704	-	-	-	12,704
Employee benefits	36,831,104	-	-	-	36,831,104
Debt service - Principal	4,669,958	-	-	-	4,669,958
Debt service - Interest	1,857,640	-	-	-	1,857,640
Cost of sales	-	-	2,541,586	-	2,541,586
Capital outlay	-	-	-	872,488	872,488
TOTAL EXPENDITURES	154,617,018	5,683,156	2,541,586	872,488	163,714,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,046,206	(315,000)	68,877	(872,488)	927,595
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	-	315,000	-	1,057,190	1,372,190
Operating transfers (out)	(1,372,190)	-	-	-	(1,372,190)
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,372,190)	315,000	-	1,057,190	-
OTHER CHANGES IN FUND BALANCE (NOTE 21)					
Write-off of Summer School Handicapped Program receivables	(493,294)	-	-	-	(493,294)
NET CHANGE IN FUND BALANCES	180,722	-	68,877	184,702	434,301
FUND BALANCES - BEGINNING OF YEAR	33,647,724	-	304,947	985,256	34,937,927
FUND BALANCES - END OF YEAR	$ 33,828,446	$ -	$ 373,824	$ 1,169,958	$ 35,372,228

See Accompanying Notes to Financial Statements

SOUTH HUNTINGTON 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 FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance		$ 434,301
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the fiscal year ended June 30, 2018 changed by:		(573,370)
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2017 to June 30, 2018 changed by:		332,077
Deferred outflows and inflows in the Statement of Activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Other post-employment benefits		(477,656)
Total other post employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Total other post-employment benefits obligations from June 30, 2017 to June 30, 2018 changed by:		(6,272,552)
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	$ 1,597,565	
Depreciation expense and loss on disposition	(2,377,289)	(779,724)
Long-Term Debt Transactions		
Governmental funds may report the premium, discounts, and similar items on refunded bonds as expenditures. These amounts are deferred and amortized in the Statement of Activities.		211,988
Repayment of a bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		3,830,000
Repayment of an energy performance contract payable is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		670,547
Repayment of an installment purchase debt payable 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.		152,832
Interest on long-term debt in the Statement of Activities differs from from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by:		53,497
Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet.		(625,000)
Pension Differences		
Increases/decreases in proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Employees' retirement system	(80,393)	
Teachers' retirement system	(891,188)	(971,581)
Change in Net Position		$ (4,014,641)

See Accompanying Notes to Financial Statements

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash-restricted	$ 147,245	$ 1,226,168
TOTAL ASSETS	$ 147,245	$ 1,226,168
LIABILITIES		
Due to governmental funds	$ -	$ 528,440
Extraclassroom activity balance	-	333,734
Other liabilities	-	363,994
TOTAL LIABILITIES	$ -	$ 1,226,168
NET POSITION		
Restricted for scholarships	$ 147,245	
TOTAL NET POSITION	$ 147,245	

See Accompanying Notes to Financial Statements

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$ 31,581
Interest and earnings	143
TOTAL ADDITIONS	31,724
DEDUCTIONS	
Scholarships and awards	40,600
TOTAL DEDUCTIONS	40,600
CHANGE IN NET POSITION	(8,876)
NET POSITION - BEGINNING OF YEAR	156,121
NET POSITION - ENDING OF YEAR	$ 147,245

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

Significant accounting principles and policies utilized by the District are described 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 ("the Board") consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

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 as an agent for various student organizations in the Statement of Fiduciary Net Position – Fiduciary Funds. Separate audited financial statements (cash basis) 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 Western Suffolk Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under Section §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section-§1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the New York State General Municipal Law (GML).

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) **Basis of presentation:**

i) District-Wide Financial Statements:

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

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

ii) Fund Financial Statements:

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

The District financial statements reflect the following major funds:

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

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

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

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

The District reports the following fiduciary funds:

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

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

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

D) Measurement focus and basis of accounting:

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. Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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, pension costs, and other post-employment benefits which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) **Real property taxes:**

i) Calendar

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

ii) Enforcement

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

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.

G) **Interfund transactions:**

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

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

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets, deferred items and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers' compensation claims, net pension asset and liability, potential contingent liabilities, and useful lives of capital assets.

I) Cash and cash equivalents:

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

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District has no prepaid items as of June 30, 2018.

L) Capital assets:

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	$ 1,500	Straight-line	50 years
Furniture & Equipment	$ 1,500	Straight-line	5-20 years
Land Improvements	$ 1,500	Straight-line	15-20 years
Vehicles	$ 1,500	Straight-line	8 years

M) Collections in advance:

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

Collections in advance consists of amounts received in advance for grants in the special aid fund and for meals that have not yet been purchased in the school lunch fund.

N) Deferred outflows and inflows 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 one item that qualifies for reporting in this category. This item is related to pensions reported in the District-Wide Statement of Net Position. It consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date, see Note 15.

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 three items that qualify for reporting in this category. The first 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 the collective pension expense. The second item is related to OPEB reported in the District-Wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The third is the unamortized amount of deferred gains from the refunding of bonds that is being amortized as a component of interest expense on a straight line basis over the remaining life of the debt. These are detailed further in Notes 14, 15 and 17.

The deferred inflow on the governmental funds balance sheet is deferred revenue, which is reported when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, the liability for deferred revenues is removed and revenues are recorded.

O) <u>Vested employee benefits:</u>

Compensated absences:

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

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

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

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

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

P) <u>Other benefits:</u>

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

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

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

Q) **Short-term debt:**

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

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

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

The District issued and redeemed a $17,500,000 TAN in the fiscal year ended June 30, 2018 (See Note 12 for further details).

R) **Accrued liabilities and long-term obligations:**

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

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

S) **Equity classifications:**

i) District-Wide Financial Statements

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

Net investment in capital assets, consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets (net of unspent proceeds), including the deferred inflows of resources, the gain on defeasance on the bond refunding.

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

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

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, the District only has four classifications of fund balance presented in the fund financial statements as follows:

1) **Non-spendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school food lunch fund of $133,728.

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

The District has classified the following as restricted:

Employee Benefit Accrued Liability Reserve

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

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund as restricted fund balance.

Unemployment Insurance Reserve

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

Workers' Compensation Reserve

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

Insurance Reserve

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

Unspent debt proceeds

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

Scholarships

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

3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Districts highest level of decision making authority, (i.e., the Board of Education). The District has no committed fund balances as of June 30, 2018.

4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designation for other post-employment benefits (OPEB) and encumbrances not classified as restricted or committed at the end of the fiscal year.

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in the assigned fund balance are also excluded from the 4% limitation. For the District's plan to address the balance retained over 4% see Note 19B.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T) Change in accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. See Note 17 and Note 20 of the financial statements for the impact of the implementation on the financial statements.

U) Future changes in accounting standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between the District's contributions and its proportionate share of the total contributions to the pension system.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Information – Schedule of Change from the Adopted Budget. The following supplemental appropriation occurred during the fiscal year:

Contingent expenditures funded by donations	$ 11,149

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by the legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2018 included $19,867,869 within the governmental funds for general reserve purposes and unspent debt proceeds and $1,373,413 in the fiduciary funds.

B) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2018, the District was billed $9,746,295 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,339,323. Financial statements for the Western Suffolk BOCES are available from the Western Suffolk BOCES administrative office at 507 Deer Park Road, Dix Hills, New York 11746.

NOTE 6 – FEDERAL AND STATE AID RECEIVABLES:

Federal and state aid receivable at June 30, 2018 consisted of the following:

General fund	
New York State Aid	
Excess cost aid	$ 1,510,748
General aid	221,612
Total General fund	1,732,360
Special aid fund	
Federal aid	880,982
State aid	1,443,837
Total Special aid fund	2,324,819
School lunch fund	
State and federal food service program reimbursement	97,393
Total - All funds	$ 4,154,572

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2018 consisted of the following:

General fund	
Tuition and health service billings	$ 535,654
BOCES Aid	1,152,531
Total General fund	1,688,185
Governmental activities	
Library bonds	2,485,000
Total	$ 4,173,185

District management has deemed the amounts to be fully collectible.

NOTE 8 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2018 consisted of the following:

General fund		
General aid overpayment	$	12,632
Tuition and health services		431,143
Total General fund		443,775
School lunch fund		
Sales tax payable		244
Total	$	444,019

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2018 consisted of the following:

Special aid fund		
Grant funds received in advance	$	5,355
School lunch fund		
Student prepaid meals		17,654
Total	$	23,009

NOTE 10 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 592,253	$ -	$ -	$ 592,253
Construction in progress	14,744	-	-	14,744
Total capital assets not depreciated	606,997	-	-	606,997
Capital assets that are depreciated:				
Building & building improvements	105,308,729	864,758	-	106,173,487
Furniture and equipment	6,611,975	424,219	(29,763)	7,006,431
Vehicles	5,749,071	278,588	-	6,027,659
Land improvement	2,211,198	30,000	-	2,241,198
Total depreciable historical cost	119,880,973	1,597,565	(29,763)	121,448,775
Less accumulated depreciation:				
Building & building improvements	53,459,958	1,673,065	-	55,133,023
Furniture and equipment	4,722,947	458,374	(26,516)	5,154,805
Vehicles	5,330,474	146,151	-	5,476,625
Land improvement	1,723,206	96,452	-	1,819,658
Total accumulated depreciation	65,236,585	2,374,042	(26,516)	67,584,111
Total capital assets being depreciated, net	54,644,388	(776,477)	(3,247)	53,864,664
Total capital assets, net	$ 55,251,385	$ (776,477)	$ (3,247)	$ 54,471,661

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

General Support	$ 289,638
Instruction	1,843,049
Transportation	191,243
Community Services	265
School Food Service	53,094
	$ 2,377,289

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$ 3,177,119	$ -	$ -	$ 1,372,190
Special aid fund	-	2,648,679	315,000	-
School lunch fund	-	-	-	-
Capital projects fund	-	-	1,057,190	-
Total government activities	3,177,119	2,648,679	1,372,190	1,372,190
Fiduciary agency fund	-	528,440	-	-
Total	$ 3,177,119	$ 3,177,119	$ 1,372,190	$ 1,372,190

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools.

The District made a $1,057,190 transfer from the general fund to the capital projects fund in accordance with the voter approved 2017-2018 school budget to fund various school improvement projects.

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

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

NOTE 12 - SHORT-TERM DEBT:

On October 17, 2017, the District issued tax anticipation notes in the amount of $17,500,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2018	2.00%	$ -	$ 17,500,000	$ 17,500,000	$ -
	Total		$ -	$ 17,500,000	$ 17,500,000	$ -

Interest on short-term debt was $243,056.

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:					
General obligation debt:					
Construction serial bonds	$ 8,665,000	$ -	$ 915,000	$ 7,750,000	$ 750,000
Advance refunding bonds	22,195,000	-	2,290,000	19,905,000	2,175,000
Library serial/refunding bond	3,110,000	-	625,000	2,485,000	625,000
Total bonds payable	33,970,000	-	3,830,000	30,140,000	3,550,000
Other liabilities:					
Energy performance contract payable	8,431,390	-	670,547	7,760,843	719,135
Installment purchase debt payable	420,145	-	152,832	267,313	130,664
Claims payable	2,307,274	331,584	663,661	1,975,197	322,576
Compensated absences payable	9,950,739	776,647	203,277	10,524,109	259,158
Net pension liability-proportionate share-NYSERS	4,686,790	-	3,081,718	1,605,072	-
Net pension liability-proportionate share-NYSTRS	4,112,888	-	4,112,888	-	-
Total other post-employment benefits obligation	* 178,166,796	11,430,753	5,158,204	184,439,345	-
Total other liabilities	208,076,022	12,538,984	14,043,127	206,571,879	1,431,533
Total long-term liabilities	$ 242,046,022	$ 12,538,984	$ 17,873,127	$ 236,711,879	$ 4,981,533

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

*Beginning balance as restated.

A) Bonds Payable

Existing serial and statutory bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Advance Refunding Serial Bond	2/12/2009	9/15/2018	2.0% - 5.0%	$ 360,000
Advance Refunding Serial Bond	3/2/2012	9/1/2021	2.0% - 5.0%	2,485,000
Construction Serial Bond	9/21/2011	3/15/2030	2.25% - 3.75%	3,475,000
Construction Serial Bond	9/19/2012	6/15/2027	2.00% - 2.375%	3,375,000
Construction Serial Bond	2/15/2013	6/15/2027	2.00% - 2.60%	900,000
Advance Refunding Serial Bond	3/20/2013	9/1/2025	2.00% - 4.50%	4,455,000
Advance Refunding Serial Bond	8/20/2016	12/15/2028	2.00% - 5.00%	9,715,000
Advance Refunding Serial Bond	6/21/2017	6/15/2029	5.00%	5,375,000
				$ 30,140,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 3,550,000	$ 1,155,194	$ 4,705,194
2020	3,270,000	1,029,207	4,299,207
2021	3,305,000	904,569	4,209,569
2022	3,355,000	773,456	4,128,456
2023	2,810,000	648,781	3,458,781
2024-2028	12,220,000	1,566,112	13,786,112
2029-2030	1,630,000	66,475	1,696,475
	$ 30,140,000	$ 6,143,794	$ 36,283,794

In prior years, the District defeased certain construction serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

B) Energy Performance Contract Debt Payable

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance contract debt	2/29/2012	7/15/2026	3.87%	$ 7,760,843

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 719,135	$ 300,345	$ 1,019,480
2020	767,768	272,514	1,040,282
2021	797,481	242,801	1,040,282
2022	828,344	211,939	1,040,283
2023	860,400	179,882	1,040,282
2024-2027	3,787,715	373,416	4,161,131
	$ 7,760,843	$ 1,580,897	$ 9,341,740

C) Installment Purchase Debt Payable

Installment purchase debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Outstanding at Year End
Copiers: Konica	9/1/2015	8/31/2019	$ 1,185
Copiers: Konica	8/1/2015	7/30/2019	2,508
Copiers: Konica	8/1/2015	7/30/2019	1,185
Copiers: Konica	8/1/2014	7/31/2018	182
Copiers: Kyocera	4/1/2016	3/31/2020	3,294
Copiers: Toshiba	11/1/2014	10/31/2018	1,185
Copiers: Toshiba	11/1/2014	10/31/2018	5,150
Copiers: Xerox	2/1/2016	1/30/2016	8,005
Copiers: Xerox	2/1/2016	1/30/2016	2,510
Copiers: Xerox	2/1/2016	1/30/2016	5,187
Copiers: Konica	10/1/2014	9/30/2018	4,195
Copiers: Konica	1/15/2016	1/15/2020	6,450
Copiers: Pitney Bowes	8/1/2016	7/31/2021	23,609
Copiers: Toshiba	9/30/2016	9/29/2020	1,794
Copiers: Xerox	8/9/2016	8/9/2020	3,429
Copiers: Toshiba	9/30/2016	9/29/2020	110,682
Copiers: Konica	9/30/2016	9/30/2020	2,006
Copiers: Konica	12/30/2016	12/30/2020	41,649
Copiers: Toshiba	9/30/2016	9/29/2020	43,108
			$ 267,313

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ 130,664	$ -	$ 130,664
2020	108,914	-	108,914
2021	27,097	-	27,097
2022	638	-	638
	$ 267,313	$ -	$ 267,313

D) Long-Term Interest

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

	Total
Interest paid	1,614,584
Less interest accrued in the prior year	(498,179)
Plus interest accrued in the current year	444,682
Less amortization of gain on defeasance	(211,988)
Total expense	$ 1,349,099

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

The gain on defeasance pertaining to the 2013, 2015 and 2017 refunding as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2018 consisted of the following:

Bond premium	$ 2,910,075
Deferred amounts on refunding	(812,654)
Gain on defeasance, net of amortization	$ 2,097,421

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 12 years for the 2013 refunding, 13 years on the 2015 refunding, and 12 years for the 2017 refunding, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction in interest expense.

NOTE 15 – PENSION PLANS:

A) Plan Descriptions and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State ("RSSL") of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

Year	ERS	TRS
2018	$ 2,636,644	$ 6,377,649
2017	$ 2,753,273	$ 7,118,974
2016	$ 3,102,809	$ 7,857,388

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

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
District's proportionate share of the net pension asset/(liability)	$ (1,605,072)	$ 2,913,912
District's portion of the Plan's total net pension asset/(liability)	0.0497320%	0.3833590%
Change in proportion since the prior measurement date	-0.0001475%	-0.0000649%

For the year ended June 30, 2018, the District recognized pension expense of $2,716,952 and $7,270,226 for ERS and TRS, respectively. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 572,477	$ 2,397,434	$ 473,074	$ 1,136,101
Changes of assumptions	1,064,296	29,649,624	-	-
Net difference between projected and actual earnings on pension plan investments	2,331,240	-	4,601,634	6,863,106
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,851,832	49,318	6,492	460,462
District's contributions subsequent to the measurement date	738,310	6,377,649	-	-
Total	$ 6,558,155	$ 38,474,025	$ 5,081,200	$ 8,459,669

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

Plan Year Ended	ERS	TRS
2018	$ -	$ 618,617
2019	1,120,000	7,788,686
2020	824,844	5,557,868
2021	(831,111)	1,337,869
2022	(375,088)	5,541,536
Thereafter	-	2,792,131
	$ 738,645	$ 23,636,707

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)/asset to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.72% - 1.90%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
Cost of living adjustments	1.30%	1.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS		TRS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	March 31, 2018		June 30, 2017	
Asset Type:				
Domestic equity	36.0%	4.55%	35.0%	5.90%
International equity	14.0%	6.35%	18.0%	7.40%
Private equity	10.0%	7.50%	8.0%	9.00%
Real Estate	10.0%	5.55%	11.0%	4.30%
Absolute return strategies	2.0%	3.75%		
Opportunistic portfolio	3.0%	5.68%		
Real assets	3.0%	5.29%		
Bond and mortgages	17.0%	1.31%		
Cash	1.0%	-0.25%		
Inflation indexed bonds	4.0%	1.25%		
Domestic fixed income securities			16.0%	1.60%
High-yield fixed income securities			1.0%	3.90%
Global fixed income securities			2.0%	1.30%
Bonds and mortgages			8.0%	2.80%
Short-term			1.0%	0.60%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Pension Liability to the Discount Rate Assumption

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset/(liability)	$ (12,144,409)	$ (1,605,072)	$ 7,310,786

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension asset/(liability)	$ (50,198,076)	$ 2,913,912	$ 47,392,566

Pension Plan Fiduciary Net Position

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

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

Payables To The Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate by tier. Accrued retirement contributions as of June 30, 2018 amounted to $738,310.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid deduction and remittance to TRS. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $6,814,035.

NOTE 16 – RETIREMENT PLANS:

A) Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2018 totaled $3,731,615. The District did not make any contributions to the plan for the year ended June 30, 2018.

NOTE 17 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) Plan Description and Benefits

Plan Description

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

Benefits Provided

The District assumes a portion of the premium costs (0% - 40%) and recognizes the cost of the healthcare plan annually as an expenditure in the general fund of the fund financial statements as payments accrued. For the year ended June 30, 2018, the District contributed an estimated $5,158,204 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any means other than the "pay as you go" method.

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	612
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	943
Total	1,555

B) Total OPEB Liability

The District's total OPEB liability of $184,439,345 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Discount rate	3.87%
Healthcare cost trend rates	8.00% for 2018, decreasing 0.5% per year to an ultimate rate of 4.0% for 2026 and later years
Retirees' share of benefit-related costs	60% to 100% of projected health insurance premiums

The discount rate was based on the 20-Bond GO Index as of June 30, 2018, which tracks the average yields of 20 general obligation municipal bonds. The average rating of the 20 bonds that make up the index are grade Aa2 (Moody's) or grade AA (Standard & Poor's).

Mortality rates were based on the SOA RP-2014 total dataset. Mortality improvements are projected using SOA Scale MP-2014.

C) Changes in total OPEB liability

Original OPEB liability as of July 1, 2017 (under GASB Statement No. 45)	$ 79,386,274
Cumulative effect of change in accounting principle (required GASB Statement No. 75)	98,780,522
Total OPEB liability as of July 1, 2017, as restated	178,166,796
Service cost	5,165,193
Interest	6,785,189
Changes in benefit terms	-
Differences between expected and actual experience	(519,629)
Changes in assumptions or other inputs	-
Benefit payments	(5,158,204)
Total net changes	6,272,549
Total OPEB liability as of June 30, 2018	$ 184,439,345

There were no significant plan changes since the last valuation.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 218,145,534	$ 184,439,345	$ 157,972,115

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the assumed healthcare cost trend rate:

	1% Decrease (7.0%) Decreasing to (3.0%)	Healthcare Cost Trend Rates (8.0%) Decreasing to (4.0%)	1% Increase (9.0%) Decreasing to (5.0%)
Total OPEB liability	$ 154,654,901	$ 184,439,345	$ 223,308,887

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

For the year ended June 30, 2018, the District recognized OPEB expense of $11,908,409. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 477,656
Total	$ -	$ 477,656

Amounts reported deferred inflows of resources related to OPEB will be recognized in OPEB expense over the next five years as follows:

Fiscal Year Ended June 30,	
2019	$ (41,973)
2020	(41,973)
2021	(41,973)
2022	(41,973)
2023	(41,973)
Thereafter	(267,791)
	$ (477,656)

NOTE 18 – RISK MANAGEMENT:

A) General Information:

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

B) Risk Retention:

The District 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. As of June 30, 2018, the District has recorded a workers' compensation claims payable for $1,975,197. This represents the District's liability for unpaid reported claims and unreported claims which were incurred but not reported (IBNR) before year end, discounted at 2%. The District has a workers' compensation reserve in the amount of $2,802,026.

The claims activity is as follows:

	2018	2017
Unpaid claims at beginning of year	$ 2,307,274	$ 2,765,975
Incurred claims	331,584	396,353
Claims payments and adjustments	(663,661)	(855,054)
Unpaid claims at year end	$ 1,975,197	$ 2,307,274

C) Consortiums and Self Insured Plans:

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

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Assigned: Unappropriated – Encumbrances:

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

General fund for:		
General support	$	267,563
Instruction		108,284
Transportation		21,665
	$	397,512

B) Assigned: Unappropriated – Designated for OPEB:

The District had designated $1,233,034 for other post-employment benefits. This amount represents a portion of the excess of the allowed 4% of the subsequent year's budget. The District appropriated $600,000 of the assigned designated for other post-employment benefits in the current year and plans on appropriating $600,000 per year in the upcoming budgets.

C) Grants:

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

D) Litigation:

As of June 30, 2018, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 20 – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits. The District's net position at June 30, 2017 has been restated as follows:

Net position at beginning of year, as previously reported		$ (9,481,956)
GASB Statement No. 75 implementation:		
OPEB liablity - beginning of year, as previously reported under GASB Statement No. 45	$ 79,386,274	
Total OPEB liablity - beginning of year, under GASB Statement No. 75	(178,166,796)	
Cumulative effect of change in accounting principle		(98,780,522)
Net position at beginning of year, as restated		$ (108,262,478)

NOTE 21 – OTHER CHANGES IN FUND BALANCE:

Other changes in fund balance represent a write-off of receivables for the District's summer school handicapped program for the following years:

Year	Write-Off
2012	$ 187,014
2013	137,241
2014	52,479
2015	116,560
	$ 493,294

NOTE 22 – SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 18, 2018 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	$ 100,000,000	$ 100,213,468	$ 100,213,468	$ -
Other tax items	12,183,534	11,970,066	11,971,606	1,540
Charges for services	2,620,000	2,620,000	2,436,146	(183,854)
Use of money and property	1,625,000	1,625,000	1,716,780	91,780
Sale of Property and Compensation for Loss	-	-	7,979	7,979
Miscellaneous	1,337,400	1,347,276	1,138,135	(209,141)
Interfund revenues	2,795,000	2,795,000	3,422,536	627,536
State Sources				
Basic formula	35,090,153	23,928,626	21,275,572	(2,653,054)
Excess cost aid	-	4,894,861	5,005,288	110,427
Lottery aid	-	5,716,393	5,616,733	(99,660)
BOCES aid	-	-	2,339,323	2,339,323
Textbook aid	-	287,295	386,955	99,660
Computer hardware and software aid	-	222,847	222,847	-
Library A/V loan program aid	-	40,131	40,131	-
Other state aid	-	-	457,820	457,820
Federal sources	350,000	350,000	411,905	61,905
TOTAL REVENUES	156,001,087	156,010,963	156,663,224	$ 652,261
Appropriated Fund Balance	4,900,000	4,900,000		
Appropriated Reserves	1,966,805	1,968,078		
TOTAL REVENUES, APPROPRIATED FUND BALANCE AND RESERVES	$ 162,867,892	$ 162,879,041		

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.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
General Support					
Board of Education	$ 89,772	$ 90,772	$ 63,052	$ 173	$ 27,547
Central Administration	427,129	427,129	391,120	-	36,009
Finance	1,873,757	2,033,357	1,713,776	194,593	124,988
Staff	923,115	925,815	774,041	-	151,774
Central Services	10,496,345	10,598,928	9,764,796	72,797	761,335
Special Items	1,252,527	1,218,745	1,158,066	-	60,679
Instruction					
Instruction, Administration & Improvement	5,992,049	6,010,103	6,007,243	2,609	251
Teaching - Regular School	48,782,879	48,740,290	47,119,977	69,464	1,550,849
Programs for Children with Disabilities	26,062,503	26,099,906	24,849,220	2,861	1,247,825
Occupational Education	1,100,000	1,100,000	1,052,425	-	47,575
Teaching - Special Schools	619,868	619,868	521,309	446	98,113
Instructional Media	2,876,478	2,888,885	2,700,708	22,773	165,404
Pupil Services	6,374,753	6,421,053	5,975,161	10,131	435,761
Pupil Transportation	9,717,827	9,725,327	9,154,718	21,665	548,944
Community Services	26,700	26,700	12,704	-	13,996
Employee Benefits	38,010,000	38,003,067	36,831,104	-	1,171,963
Debt Service					
Debt Service Principal	4,870,000	4,676,917	4,669,958	-	6,959
Debt Service Interest	2,000,000	1,893,056	1,857,640	-	35,416
	161,495,702	161,499,918	154,617,018	397,512	6,485,388
OTHER FINANCING USES					
Transfers to Other Funds	1,372,190	1,379,123	1,372,190	-	6,933
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 162,867,892	$ 162,879,041	$ 155,989,208	$ 397,512	$ 6,492,321
OTHER CHANGES IN FUND BALANCE					
Write-off of Summer School Handicapped Program receivables			(493,294)		
Net change in fund balance			180,722		
Fund balance - beginning			33,647,724		
Fund balance - ending			$ 33,828,446		

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.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total OPEB Liability		
Service cost	$	5,165,193
Interest on total OPEB liability		6,785,189
Changes in benefit terms		-
Differences between expected and actual experience		(519,629)
Changes in assumptions or other inputs		-
Benefit payments		(5,158,204)
Net change in total OPEB liablity		6,272,549
Total OPEB liability - beginning		178,166,796
Total OPEB liability - ending	$	184,439,345
District's covered employee payroll	$	71,710,629
Total OPEB liability as a percentage of covered employee payroll		257.20%

Notes to Schedule:

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

The amouns presented for the fiscal year were determined as of the measurement date of the plan.

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

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

	NYSERS Pension Plan				
	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0497320%	0.0498795%	0.0490031%	0.0483009%	0.0483009%
District's proportionate share of the net pension (liability) asset	$ (1,605,072)	$ (4,686,790)	$ (7,865,141)	$ (1,631,724)	$ (2,182,651)
District's covered payroll	$ 17,100,993	$ 18,652,865	$ 18,238,761	$ 17,679,595	$ 17,077,690
District's proportionate share of the net pension (liability) asset as a percentage of its covered employee payroll	-9.39%	-25.13%	-43.12%	-9.23%	-12.78%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%	97.20%

	NYSTRS Pension Plan				
	2018	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.383359%	0.384008%	0.379933%	0.369013%	0.371566%
District's proportionate share of the net pension (liability) asset	$ 2,913,912	$ (4,112,288)	$ 39,462,897	$ 41,105,753	$ 2,445,843
District's covered payroll	$ 61,889,513	$ 60,435,165	$ 58,060,154	$ 55,602,537	$ 54,787,789
District's proportionate share of the net pension (liability) asset as a percentage of its covered employee payroll	4.71%	-6.80%	67.97%	73.93%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%	100.70%

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

See Paragraph on Supplementary Schedules Included in Auditor's Report

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

NYSERS Pension Plan

	2,018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 2,636,644	$ 2,753,273	$ 3,102,809	$ 3,364,271	$ 3,188,815	$ 3,263,054	$ 2,849,705	$ 2,459,571	$ 1,441,557	$ 1,245,283
Contributions in relation to the contractually required contribution	2,636,644	2,753,273	3,102,809	3,364,271	3,188,815	3,263,054	2,849,705	2,459,571	1,441,557	1,245,283
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$16,069,007	$18,509,052	$18,373,788	$17,963,008	$17,291,655	$17,038,034	$17,689,170	$18,345,640	$17,797,312	$17,264,696
Contributions as a percentage of covered employee payroll	16.41%	14.88%	16.89%	18.73%	18.44%	19.15%	16.11%	13.41%	8.10%	7.21%

NYTRS Pension Plan

	2,018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 6,377,649	$ 7,118,974	$ 7,857,388	$10,004,554	$ 6,758,443	$ 6,576,921	$ 6,396,310	$ 5,019,884	$ 3,414,754	$ 4,102,918
Contributions in relation to the contractually required contribution	6,377,649	7,118,974	7,857,388	10,004,554	6,758,443	6,576,921	6,396,310	5,019,884	3,414,754	4,102,918
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$66,141,438	$61,889,514	$60,435,165	$58,060,154	$55,602,537	$54,787,789	$57,779,812	$57,444,314	$55,377,480	$57,176,321
Contributions as a percentage of covered employee payroll	9.64%	11.50%	13.00%	17.23%	12.15%	12.00%	11.07%	8.74%	6.17%	7.18%

See Paragraph on Supplementary Schedules Included in Auditor's Report

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 162,794,840
Add: Prior year's encumbrances	73,052
Original Budget	162,867,892
Budget Revision: Donations	11,149
Final Budget	$ 162,879,041

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget		$ 170,505,675
Maximum allowed (4% of 2018-19 budget)		$ 6,820,227
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	$ 7,167,828	
Unassigned fund balance	6,816,811	
Total unrestricted fund balance		13,984,639
Less:		
Appropriated fund balance	5,537,282	
Encumbrances included in assigned fund balance	397,512	
Total adjustments		5,934,794
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 8,049,845
Actual percentage		4.72%

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

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30 2018

	Original Appropriation	Revised Appropriation	Expenditures Prior Year's	Expenditures Current Year	Expenditures Total	Unexpended Balance	Methods of Financing Proceeds of Obligations	Methods of Financing State Aid	Methods of Financing Local Sources	Methods of Financing Total	Fund Balance June 30, 2018
Walt Whitman High School Canopy	$ 13,080	$ 13,080	$ -	$ 12,817	$ 12,817	$ 263	$ -	$ -	$ 13,080	$ 13,080	$ 263
Stimson Middle School Lobby Renovation	21,800	21,800	-	20,414	20,414	1,386	-	-	21,800	21,800	1,386
District Office Conference Room	305,439	393,465	13,125	376,890	390,015	3,450	-	-	393,465	393,465	3,450
Silaswood Exterior Lighting	21,800	21,800	-	896	896	20,904	-	-	21,800	21,800	20,904
Student Services Renovations	309,560	371,142	1,619	368,598	370,217	925	-	-	371,142	371,142	925
Melville Road Air Conditioning	38,500	35,000	-	24,321	24,321	10,679	-	-	35,000	35,000	10,679
Stimson Field Work	-	55,000	-	30,000	30,000	25,000	-	-	55,000	55,000	25,000
WWHS Tennis Court Repairs	45,000	45,000	-	-	-	45,000	-	-	45,000	45,000	45,000
SMS Tennis Court Repairs	45,000	45,000	-	-	-	45,000	-	-	45,000	45,000	45,000
BW Hot Water Heater	106,000	106,000	-	3,729	3,729	102,271	-	-	106,000	106,000	102,271
Teen Center Cooling Tower	267,500	267,500	-	-	-	267,500	-	-	267,500	267,500	267,500
Maplewood Exterior Lighting	10,801	10,801	-	896	896	9,905	-	-	10,801	10,801	9,905
Maplewood Hot Water Heater	106,000	106,000	-	3,729	3,729	102,271	-	-	106,000	106,000	102,271
Memorial Repairs	20,419	20,419	-	17,227	17,227	3,192	-	-	20,419	20,419	3,192
WWHS Main Office Renovation	160,500	160,500	-	5,873	5,873	154,627	-	-	160,500	160,500	154,627
WWHS PAC Upgrades	-	-	-	14,006	14,006	(14,006)	-	-	-	-	(14,006)
Teen Center Upgrades	384,683	384,683	-	17,154	17,154	367,529	-	-	384,683	384,683	367,529
Smart Schools Phase I	300,907	300,907	298,260	-	298,260	2,647	-	300,907	-	300,907	2,647
Stimson Interior Upgrade/BkBall Ct	692,254	680,768	680,768	(24,062)	656,706	24,062	680,768	-	-	680,768	24,062
TOTAL	$ 2,849,243	$ 3,038,865	$ 993,772	$ 872,488	$ 1,866,260	$ 1,172,605	$ 680,768	$ 300,907	$ 2,057,190	$ 3,038,865	1,172,605
Less: Uncertified Smart Schools Aid											(2,647)
											$ 1,169,958

See Paragraph on Supplementary Schedules Included in Auditor's Report

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Capital assets, net		$	54,471,661
Add:			
Library bond			2,485,000
Unspent debt proceeds			24,062
Deduct:			
Gain on defeasance	2,097,421		
Short-term portion of bonds payable	3,550,000		
Long-term portion of bonds payable	26,590,000		
Short-term portion of energy performance contract debt	719,135		
Long-term portion of energy performance contract debt	7,041,708		
Short-term portion of installment purchase debt payable	130,664		
Long-term portion of installment purchase debt payable	136,649		40,265,577
Net investment in capital assets		$	16,715,146

See Paragraph on Supplementary Schedules Included in Auditor's Report

Robert S. Abrams
(1926–2014)

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

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

INDEPENDENT AUDITOR'S REPORT 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
South Huntington Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the South Huntington Union Free School District as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the South Huntington Union Free School District's basic financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 18, 2018

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

October 24, 2018

The Board of Education of
South Huntington Union Free School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to South Huntington Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $19,500,000 Tax Anticipation Note for 2018-2019 Taxes (the "Note"), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

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

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon, subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

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

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

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

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

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

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

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

"Issuer" shall mean the South Huntington Union Free School District, in the County of Suffolk, a school district of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of October 24, 2018.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

"Securities" shall mean the Issuer's $19,500,000 Tax Anticipation Note for 2018-2019 Taxes, dated October 24, 2018, maturing on June 27, 2019, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(9) defeasances;

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

(11) rating changes;

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

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

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

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

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

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

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

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

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

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

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

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this

Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **October 24, 2018.**

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

By____

President of the Board of Education