**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 6, 2019**

**NEW ISSUES**
**SERIAL BONDS/TAX ANTICIPATION NOTES**

**RATING: MOODY'S INVESTOR SERVICE:**
**See "Bond Rating", herein**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds and 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 Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statues, interest on the Bonds and 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 Bonds and the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.*

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH
# SUFFOLK COUNTY, NEW YORK
**(the "District")**

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## $18,005,000 SCHOOL DISTRICT SERIAL BONDS – 2019 SERIES B
**(the "Bonds")**

**See Bond Maturity Schedule Herein**

The Bonds are general obligations of the Middle Country Central School District at Centereach (the "District") and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount.

The Bonds maturing on September 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date on or after September 1, 2025. (See "Optional Redemption" under "THE BONDS," herein.)

The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of the Bonds. Principal of and interest on said Bonds 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 (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) 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 Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "*BOOK-ENTRY SYSTEM*" and "*Certificated Bonds and Notes,*" herein).

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## $38,500,000* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES
**(the "Notes")**

Dated Date: September 4, 2019 Maturity Date: June 25, 2020

The Notes are general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal 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 their maturity.

The Notes will be issued in registered form and, at the option of the purchaser, 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 issued 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(s) 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.

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Proposals for the Bonds and the Notes will be received at 11:00 A.M. (Prevailing Time) on August 20, 2019 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Bonds and the Notes are offered subject to the respective final approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds and the Notes will be made on or about September 4, 2019 in New York, New York, or as otherwise agreed to by the District and the purchaser.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE DATE THEREOF. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKINGS" HEREIN.

August , 2019

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*Preliminary, subject to change.

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH
# SUFFOLK COUNTY, NEW YORK

## $18,005,000 SCHOOL DISTRICT SERIAL BONDS – 2019 SERIES B

### BOND MATURITY SCHEDULE

**Dated: Date of Delivery**

**Principal Due:** **September 1, 2020-2034, inclusive**
**Interest Due:** **September 1, 2020 and semi-annually thereafter on March 1 and September 1 in each year to maturity**

| Amount | Maturity | Rate | Price or Yield | CUSIP # |
|---|---|---|---|---|
| $ 1,980,000 | 2020 | | | |
| 2,025,000 | 2021 | | | |
| 2,050,000 | 2022 | | | |
| 2,075,000 | 2023 | | | |
| 2,100,000 | 2024 | | | |
| 725,000 | 2025 | | | |
| 750,000 | 2026* | | | |
| 750,000 | 2027* | | | |
| 750,000 | 2028* | | | |
| 775,000 | 2029* | | | |
| 775,000 | 2030* | | | |
| 800,000 | 2031* | | | |
| 800,000 | 2032* | | | |
| 825,000 | 2033* | | | |
| 825,000 | 2034* | | | |

*Subject to redemption prior to maturity. See "*Optional Redemption*" herein.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH**
**SUFFOLK COUNTY, NEW YORK**

8 43rd Street
Centereach, NY 11720
Telephone: 631/285-8020
Fax: 631/738-2748

**BOARD OF EDUCATION**

Karen Lessler, Ed.D., President
Kristopher Oliva, Vice President

Arlene Barresi
Robert Feeney
Doreen Feldmann
Daniel Hill
Dina Philips
Dawn Sharrock
Kathleen Walsh

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Dr. Roberta Gerold, Superintendent of Schools
Herbert Chessler, Assistant Superintendent for Business
Stephanie Larkin, District Clerk
Janet Camarda, District Treasurer
Guercio & Guercio, School District Counsel

* * *

**BOND COUNSEL**

Hawkins Delafield & Wood LLP
New York, New York

* * *

**MUNICIPAL ADVISOR**

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# OFFICIAL STATEMENT

## MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH
## SUFFOLK COUNTY, NEW YORK

## $18,005,000 SCHOOL DISTRICT SERIAL BONDS – 2019 SERIES B
## and
## $38,500,000* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES

This Official Statement and the appendices hereto present certain information relating to the Middle Country Central School District at Centereach, in the County of Suffolk, in the State of New York (the "District," "Counties" and "State," respectively) in connection with the sale of $18,005,000 School District Serial Bonds – 2019 Series B (the "Bonds") and $38,500,000* Tax Anticipation Notes for 2019-2020 Taxes (the "Notes") of the District.

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

## THE BONDS

### Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on September 1 in each of the years 2020 to 2034, inclusive, as set forth on the inside cover page hereof. Interest on the Bonds will be payable on September 1, 2020 and semiannually thereafter on March 1 and September 1 in each year to maturity.

The Bonds issued in book-entry form will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of the Bonds. Principal of and interest on said Bonds 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 (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) 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 Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "*Book-Entry System*," herein).

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

The District's contact information is as follows: Herbert Chessler, Assistant Superintendent for Business, Middle Country Central School District at Centereach, 8 43rd Street, Centereach, New York, 11720 telephone number (631) 285-8019, Fax (631) 738-2748 and email: hchessler@mccsd.net.

### Optional Redemption

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

*Preliminary, subject to change.

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

### Authorization for and Purpose of Bonds

The Bonds are being issued in accordance with the Constitution and statutes of the State of New York including the Education Law and the Local Finance Law to pay the cost of District-wide improvements and the acquisition of school buses in the amount of $125,158,351 pursuant to a bond resolution duly adopted by the Board of Education of the District on December 10, 2014, following the approval of a proposition by the qualified voters of the District at the Annual District Meeting and Election held on November 18, 2014.

The Bond proceeds will be used to provide additional original funding in the amount of $18,005,000.

For further information regarding bond authorizations of the District for capital purposes and other matters relating thereto see “indebtedness of the District”, herein.

## THE NOTES

### Description of the Notes

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: Herbert Chessler, Assistant Superintendent for Business, Middle Country Central School District at Centereach, 8 43rd Street, Centereach, New York, 11720 telephone number (631) 285-8019, Fax (631) 738-2748 and email: hchessler@mccsd.net.

### Optional Redemption

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

### 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 2019-2020 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 2019-2020 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 2019-2020 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.

## DESCRIPTION OF BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Bonds and for any Notes issued in book-entry form. The Bonds and such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC. 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 limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

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

Purchases of Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and 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 Bonds and the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds and the Notes, except in the event that u se of the book-entry system for the Bonds and the Notes is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and 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 Issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds and 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 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.

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

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

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

## Certificated Bonds and the Notes

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

## Security and Source of Payment

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

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest thereon. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property in the District subject to taxation without limitation as to rate or amount.

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 Bonds and 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. As the Bonds are being issued to finance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law. (See "*The Tax Levy Limit Law*," herein.) The 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. (See "*The Tax Levy Limit Law,*" herein.)

## REMEDIES UPON DEFAULT

Neither the Bonds and the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds and the Notes should the District default in the payment of principal of or interest on the Bonds and the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds and the Notes upon the occurrence of any such default. The Bonds and 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 Bonds and 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 Bonds and the Notes, the owner of such Bonds and the 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 Bonds and 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 Bonds and the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds and 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 Bonds and 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 Bondholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Quirk* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

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

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

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

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

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

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

## NO PAST DUE DEBT

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

## BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds and 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 began operations in 1957 as a result of a centralization vote which followed the consolidation of former Brookhaven School Districts 11 and 12, Centereach and Selden respectively. The District is located at the western border of the Town of Brookhaven in Suffolk County.

The area is basically residential in character with some light industry and commercial activity located on Middle Country Road (New York State Route 25) which bisects the District traversing east to west and is the main road artery located therein. The commercial property located on Middle Country Road represents approximately 16% of the taxable assessed value of the District. Such commercial property includes one of Long Island's largest retail centers, the Smithhaven Mall, a regional shopping center employing an estimated 3,500 people in a 1.4 million square foot complex where there are parking facilities for 6,500 cars. Its larger stores include Macy's, J.C. Penney's and Sears. Additionally, the Smithaven Mall has just completed a 72 million dollar expansion and renovation which includes the addition of several new major retail outlets. A J.C. Penney's Home Store is located on a site adjacent to Smithhaven Mall and another shopping center known as Loehmanns

Mall, is located on the south side of Middle Country Road in the western end of the District. Located on the far northwestern end of the District is a Sports Authority, Office Max and Borders' Book Store. Additional shopping centers include a Wal-Mart, located in Centereach; and Independence Plaza in Selden, which is the site of a Home Depot.

The District comprises an area of approximately 16 square miles. Residential construction continues but at a moderate pace. Residents find employment within the District and at nearby industrial plants as well as at the Brookhaven National Laboratory, the Internal Revenue Service Center at Holtsville and State Hospitals located nearby, in addition to Stony Brook University and Suffolk Community College. Vehicular transportation is provided by several bus lines as well as an interior road network of state and county roads. Rail transportation is furnished by the Metropolitan Transportation Authority (L.I. Railroad). The Port Jefferson and Ronkonkoma branches of the L.I. Railroad serve the area. Regularly scheduled commercial flights are available at nearby Long Island MacArthur Airport. The Port Jefferson-Bridgeport Ferry is also in close proximity to the District.

## District Organization

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

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

## Enrollment History

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

| School Year | School Enrollment |
|---|---|
| 2015 | 10,132 |
| 2016 | 9,978 |
| 2017 | 9,871 |
| 2018 | 9,328 |
| 2019 | 9,751 |

Source: District Officials.

## Projected Future Enrollment

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

| School Year | School Enrollment |
|---|---|
| 2020 | 9,606 |
| 2021 | 9,456 |
| 2022 | 9,294 |
| 2023 | 9,132 |

Source: District Officials.

## District Facilities

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

| Name of School | Type | Date of Construction | Capacity | Date of Last Addition |
|---|---|---|---|---|
| Hawkins Path | Elementary | 1963 | 729 | 2002 |
| Holbrook Road | Elementary | 1959 | 729 | 2002 |
| Unity Drive | Pre-K and Kindergarten | 1956 | 756 | 2002 |
| Oxhead Road | Elementary | 1959 | 810 | 2002 |
| Stagecoach | Elementary | 1967 | 756 | 2002 |
| North Coleman Road | Elementary | 1965 | 756 | 2002 |
| Eugene Auer | Elementary | 1965 | 750 | 2002 |
| Jericho | Elementary | 1969 | 837 | 2002 |
| New Lane | Elementary | 1970 | 1,674 | 2001 |
| Newfield High School | Secondary | 1959 | 1,987 | 2002 |
| Selden Middle School | Middle | 1966 | 1,965 | 2002 |
| Dawnwood Middle School | Middle | 1961 | 1,300 | 2002 |
| Centereach High School | Secondary | 1970 | 2,065 | 2002 |
| Administration Building | Central Offices | 1965 | N/A | 2002 |
| Transportation Building | Offices and Garage | 2010 | N/A | 2010 |
| Bicycle Path School | Pre-K and Kindergarten | 1950 | 810 | 1999 |

## Employees

The collective bargaining agents, if any, which represent employees and the dates of expirations of the various collective bargaining agreements are as follows:

| Name of Union | Expiration Date of Contract | Approx. No. of Members |
|---|---|---|
| Middle Country Teachers Association | 06/30/2020 | 783 |
| Middle Country Secretaries Association | 06/30/2019 | 95 |
| Middle Country Association of Teacher's Aides | 06/30/2019 | 121 |
| Middle CountyAdministrators Association | 06/30/2020 | 41 |
| Middle Country Nurses Association | 06/30/2019 | 19 |
| C.S.E.A - Operations | 06/30/2019 | 73 |
| C.S.E.A - Transportation | 06/30/2019 | 64 |
| C.S.E.A. - Maintenance | 06/30/2019 | 33 |
| C.S.E.A - Heads and Chiefs | 06/30/2019 | 19 |
| Middle Country Teachers Assistants Association | 06/30/2020 | 186 |
| Union Local 424 - Monitors | 06/30/2019 | 47 |
| Unaffiliated | N/A | 22 |

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Trends

The following table sets forth population statistics.

| Year | Town | Suffolk County | New York State |
|---|---|---|---|
| 1990 | 407,786 | 1,321,864 | 17,990,455 |
| 2000 | 448,248 | 1,419,369 | 18,976,457 |
| 2010 | 486,040 | 1,493,350 | 19,378,102 |
| 2017 | 486,179 | 1,492,953 | 19,849,399 |

Source: U.S. Bureau of the Census.

### Income Data

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

| | Per Capita Money Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2017[a] |
| Town of Brookhaven | $16,726 | $24,191 | $32,663 | $38,681 |
| County of Suffolk | 18,481 | 26,577 | 35,411 | 41,331 |
| State of New York | 16,501 | 23,389 | 30,791 | 37,156 |

| | Median Household Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2017[a] |
| Town of Brookhaven | $47,074 | $62,475 | $81,654 | $91,073 |
| County of Suffolk | 49,128 | 65,288 | 84,235 | 94,750 |
| State of New York | 32,965 | 43,393 | 54,148 | 64,894 |

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

### Unemployment Rate Statistics

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

| Annual Averages: | Town of Brookhaven (%) | Suffolk County (%) | New York State (%) |
|---|---|---|---|
| 2014 | 5.3 | 5.3 | 6.4 |
| 2015 | 4.8 | 4.8 | 5.3 |
| 2016 | 4.3 | 4.3 | 4.9 |
| 2017 | 4.4 | 4.4 | 4.6 |
| 2018 | 3.9 | 3.9 | 4.1 |
| 2019 (6 months) | 3.5 | 3.5 | 4.1 |

Source: Department of Labor, State of New York

## INDEBTEDNESS OF THE DISTRICT

### Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds 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 purpose 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 District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds and the notes. With respect to certain school building construction projects, the District is not permitted to spend in excess of $100,000 until the plans and specifications for such project have been approved by the Commissioner of Education of the State.

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

The Board of Education, as the finance board of the District, 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 Bonds and the Notes. However, such finance board may delegate the power to sell the Bonds and 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 Calculation of Total Net Indebtedness**
(As of August 6, 2019)

| In Town of: | Assessed Valuation | State Equalization Rate | Full Valuation |
|---|---|---|---|
| Brookhaven (2018-2019)[a] | $52,445,161 | 0.86% | $6,098,274,535 |
| Debt Limit - 10% of Full Valuation | | | $609,827,453 |
| Inclusions:[b] | | | |
| Outstanding Bonds | | | 127,915,000 |
| Bond Anticipation Notes | | | 0 |
| Total Indebtedness | | | 127,915,000 |
| Exclusions (Estimated Building Aid)[c] | | | 98,878,295 |
| Total Net Indebtedness Before Issuing the Bonds | | | 29,036,705 |
| The Bonds | | | 18,005,000 |
| Less: BANs to be Redeemed | | | 0 |
| Net Effect of the Bonds | | | 18,005,000 |
| Total Net Indebtedness After Issuing the Bonds | | | 47,041,705 |
| Net Debt Contracting Margin | | | $562,785,748 |
| Per Cent of Debt Contracting Margin Exhausted | | | 7.71% |

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 indebtedness outstanding.

## Trend of Outstanding Indebtedness

As at June 30:

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Bonds | $49,805,000 | $44,165,000 | $70,590,000 | $112,615,000 | $130,755,000 |
| BANs | 625,000 | 12,000,000 | - | - | - |
| TANs | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total | $50,430,000 | $56,165,000 | $70,590,000 | $112,615,000 | $130,755,000 |

## Debt Service Requirements - Outstanding Bonds[a]

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $12,420,000 | $3,554,108 | $15,974,108 |
| 2021 | 10,105,000 | 3,160,725 | 13,265,725 |
| 2022 | 10,290,000 | 2,865,225 | 13,155,225 |
| 2023 | 10,450,000 | 2,571,750 | 13,021,750 |
| 2024 | 10,690,000 | 2,271,525 | 12,961,525 |
| 2025 | 10,020,000 | 1,969,075 | 11,989,075 |
| 2026 | 10,245,000 | 1,682,150 | 11,927,150 |
| 2027 | 10,480,000 | 1,382,000 | 11,862,000 |
| 2028 | 7,720,000 | 1,130,000 | 8,850,000 |
| 2029 | 7,785,000 | 928,500 | 8,713,500 |
| 2030 | 7,125,000 | 742,563 | 7,867,563 |
| 2031 | 7,125,000 | 563,000 | 7,688,000 |
| 2032 | 7,250,000 | 370,250 | 7,620,250 |
| 2033 | 7,350,000 | 174,750 | 7,524,750 |
| 2034 | 1,700,000 | 51,000 | 1,751,000 |
| Totals | $130,755,000 | $23,416,621 | $154,171,621 |

a. Does not include any debt service payments made during the current fiscal year.

**Debt Service Requirements – 2015 Energy Performance Contract**

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2020 | 954,750 | 263,450 | 1,218,200 |
| 2021 | 987,390 | 230,810 | 1,218,200 |
| 2022 | 1,021,147 | 197,053 | 1,218,200 |
| 2023 | 1,056,057 | 162,143 | 1,218,200 |
| 2024 | 1,092,160 | 126,040 | 1,218,200 |
| 2025 | 1,129,499 | 88,701 | 1,218,200 |
| 2026 | 1,168,113 | 50,087 | 1,218,200 |
| 2027 | 598,948 | 10,152 | 609,100 |
| Totals | $8,008,064 | $1,128,436 | $9,136,500 |

**Revenue and Tax Anticipation Notes**

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

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

| Fiscal Year Ending June 30: | Amount | Type | Issue | Maturity |
|---|---|---|---|---|
| 2015 | $38,500,000 | TAN | 8/14/2014 | 6/25/2015 |
| 2016 | 38,500,000 | TAN | 9/02/2015 | 6/28/2016 |
| 2017 | 38,500,000 | TAN | 8/24/2016 | 6/27/2017 |
| 2018 | 38,500,000 | TAN | 8/15/2017 | 6/27/2018 |
| 2019 | 38,500,000 | TAN | 8/30/2018 | 6/25/2019 |

**Authorized and Unissued Debt**

The District has $18,008,351 of authorized and unissued debt, $18,005,000 of such amount will be financed by the proceeds of the Bonds.

**Calculation of Estimated Overlapping and Underlying Indebtedness**

| Overlapping Units | Date of Report | Percentage Applicable (%) | Applicable Total Indebtedness | Applicable Net Indebtedness |
|---|---|---|---|---|
| County of Suffolk | 05/31/2019 | 2.24 | $45,673,419 | $28,687,355 |
| Town of Brookhaven | 06/19/2019 | 12.29 | 68,387,545 | 67,192,342 |
| Village of Lake Grove | 05/31/2019 | 100.00 | 0 | 0 |
| Fire District (Est.) | 12/31/2017 | Var | 3,775,300 | 3,775,300 |
| Totals | | | $117,836,264 | $99,654,997 |

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

**Debt Ratios**
(As of August 6, 2019)

| | Amount | Per Capita[a] | Percentage Of Full Value (%)[b] |
|---|---|---|---|
| Total Direct Debt | $127,915,000 | $1,938 | 2.098 |
| Net Direct Debt | 29,036,705 | 440 | 0.476 |
| Total Direct & Applicable Total Overlapping Debt | 245,751,264 | 3,723 | 4.030 |
| Net Direct & Applicable Net Overlapping Debt | 128,691,702 | 1,950 | 2.110 |

a. The current population of the District is 66,001.
b. The full valuation of taxable property is $6,098,274,535.

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

## Basis of Accounting

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

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

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

Source: Audited Financials of the District.

## Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See *"The Levy Limit Law"* herein). On May 21, 2019, a majority of the voters of the District approved the District's budget for the 2019-2020 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2018-2019 and 2019-2020 may be found in Appendix A, herein.

## Revenues

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

### *Real Property Taxes*

See *"Tax Information"* herein.

### *State Aid*

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

The following table sets forth the amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2018, inclusive and the amounts budgeted for the 2019 and 2020 fiscal years.

| Fiscal Year Ending June 30: | General Fund Total Revenue | State Aid | State Aid to Revenues (%) |
|---|---|---|---|
| 2015 | $210,364,178 | $ 75,885,274 | 36.07 |
| 2016 | 220,813,246 | 83,740,131 | 37.92 |
| 2017 | 224,401,532 | 87,307,370 | 38.91 |
| 2018 | 230,262,049 | 90,124,385 | 39.14 |
| 2019 (Budgeted)[a] | 250,124,601 | 97,016,907 | 38.79 |
| 2020 (Budgeted)[a] | 257,435,446 | 101,847,121 | 39.56 |

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

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

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

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

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

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have provided guidance regarding state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. The final regulation prohibit the use of programs implemented in some states in which taxpayers receive a credit against their state income taxes for donations made to charitable funds set up by the state in an attempt to reduce the impact of the federal cap on state and local tax deductions. The District has not exercised this option and has no plans to do so in the foreseeable future.

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

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

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

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

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

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

**Recent Events Affecting State Aid to New York School Districts**

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

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

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

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

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

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

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

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $8.3 million.

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

## Expenditures

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

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

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

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

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

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on June 24, 2016. The purpose of the audit was to examine the District's Budget for the period July 1, 2012 – November 30, 2015. The complete report may be found on the State Comptroller's official website. Reference to this website implies no warranty of accuracy of information therein.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

## Employee Pension System

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

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

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

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

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

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

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

The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

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

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

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for the 2020 fiscal year.

| Fiscal Year Ending June 30: | TRS | ERS |
|---|---|---|
| 2015 | $ 9,523,829 | $ 3,685,462 |
| 2016 | 15,911,091 | 3,566,341 |
| 2017 | 13,227,096 | 3,002,973 |
| 2018 | 11,323,160 | 3,035,405 |
| 2019 | 9,589,535 | 3,151,808 |
| 2020 (Budgeted) | 9,779,783 | 3,504,323 |

Source: District Officials.

**Other Post-Employment Benefits**

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

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

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

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

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

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

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

| | |
|---|---|
| Total OPEB Liability at June 30, 2017 | $409,491,087 |
| Charges for the Year: | |
| Service Cost | 14,477,166 |
| Interest | 14,943,506 |
| Changes of Benefit Terms | 0 |
| Differences Between Expected and Actual Experience | (40,885,768) |
| Changes in assumptions or other inputs | 5,700,629 |
| Benefit Payments | (13,220,032) |
| Net Changes | (18,984,499) |
| Total OPEB Liability at June 30, 2018 | $390,506,588 |

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

The following table sets forth the amount of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2018, inclusive and for the amounts budgeted for the 2019 and 2020 fiscal years.

| Fiscal Year Ending June 30: | Total Revenue | Real Property Taxes | Real Property Taxes to Revenues (%) |
|---|---|---|---|
| 2015 | $210,364,178 | $113,353,244 | 53.88 |
| 2016 | 220,813,246 | 115,125,176 | 52.14 |
| 2017 | 224,401,532 | 114,883,456 | 51.20 |
| 2018 | 230,262,049 | 117,694,213 | 51.11 |
| 2019 (Budgeted)[a] | 250,124,601 | 121,062,181 | 48.40 |
| 2020 (Budgeted)[a] | 257,435,446 | 124,779,982 | 48.47 |

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 distribute the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the 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 (such as the Bonds) and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (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 $66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

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

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Approximately 15% of the District's 2018-2019 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 15% of the District's 2019-2020 school tax levy exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2020. (See *"State Aid"* herein).

### *Rebate Program*

Chapter 59 of the 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.

While the provisions of Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 20 does provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

### Valuations, Rates, Levies and Collections

A summary of Valuations, Rates and Levies is contained in Appendix A.

**Selected Listing of Large Taxable Properties**
2016-2017 Assessment Roll

| Name | Type | Assessed Valuation |
|---|---|---|
| Mall at Smith Haven LLC | Shopping Center | $1,261,384 |
| Long Island Power Authority | Utility | 1,074,887 |
| Macy's Retail Holding, Inc. | Shopping Center | 571,695 |
| Lake Grove Owners, LLC | Shopping Center | 358,200 |
| Centereach Mall Assoc. LP | Commercial | 346,720 |
| Independence Plaza SC LLC | Shopping Center | 315,000 |
| Keyspan | Utility | 291,453 |
| Serota Brooktown I & II LLC | Commercial | 277,500 |
| Selden Plaza LLC | Shopping Center | 260,690 |
| Home Properties Lake Grove LLC | Shopping Center | 257,150 |
| | Total [a] | $5,014,679 |

a. Represents 9.57% 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.

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

There are certain potential risks associated with an investment in the Bonds and 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 Bonds and the Notes.

If and when an owner of any of the Bonds and the Notes should elect to sell all or a part of the Bonds and 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 Bonds and the Notes. The market value of the Bonds and the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Bonds and the 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 Bonds and 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 Bonds and 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 Bonds and the Notes, for income taxation purposes could have an adverse effect on the market value of the Bonds and 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 Bonds and 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 Bonds and 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. 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 Bonds and 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 Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificates of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and the Notes in order that interest on the Bonds and 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 Bonds and 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 Bonds and 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 Bonds and 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 Bonds and the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond or 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 Bonds and the Notes.

Prospective owners of the Bonds and 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 Bonds and 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 Bond or 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 bond or 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 Bonds or Notes. In general, the issue price for each maturity of the Bonds and 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 Bonds and Notes having OID (a "Discount Bond and Note"), OID that has accrued and is properly allocable to the owners of the Discount Bonds and 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 Bonds and the Notes.

In general, under Section 1288 of the Code, OID on a Discount Bond and 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 Bond and Note. An owner's adjusted basis in a Discount Bond and Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond and 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 Bond and Note even though there will not be a corresponding cash payment.

Owners of Discount Bonds and 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 Bonds and Notes.

## Bond and Note Premium

In general, if an owner acquires a Bond or 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 Bonds and the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond or Note (a "Premium Bond and Note"). In general, under Section 171 of the Code, an owner of a Premium Bond and Note must amortize the bond premium over the remaining term of the Premium Bond and Note, based on the owner's yield over the remaining term of the Premium Bond and Note determined based on constant yield principles (in certain cases involving a Premium Bond and 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 Premium Bond and Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond and Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond and Note may realize a taxable gain upon disposition of the Premium Bond and 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 Premium Bonds and Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds and Notes.

## Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds and 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 Bond or 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 Bonds or 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 Bonds or Notes under federal or state law or otherwise prevent beneficial owners of the Bonds or 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 Bonds and the Notes.

Prospective purchasers of the Bonds and 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 Bonds and the Notes will be subject to the respective final approving opinions of Hawkins Delafield & Wood LLP, Bond Counsel, substantially in the forms set forth in Appendix D hereto.

## DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the District will provide an executed copy of its Undertaking to Provide Continuing Disclosure substantially as set forth in Appendix E.

At the time of the delivery of the Notes, the District will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as Appendix F.

### 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 |
|---|---|---|
| 2013 | 12/23/2013 | 12/23/2013 |
| 2014 | 12/23/2014 | 11/21/2014 |
| 2015 | 12/22/2015 | 11/12/2015 |
| 2016 | 12/14/2016 | 10/25/2016 |
| 2017 | 12/27/2017 | 10/24/2017 |

## RATING

The Notes are not rated. The District has applied to Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, for a rating on the Bonds. Such application is pending at this time. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the outstanding bonds or the availability of a secondary market for such bonds.

## MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent 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 Bonds and 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 Bonds and 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 Herbert Chessler, Assistant Superintendent for Business, Middle Country Central School District at Centereach, 8 43rd Street, Centereach, New York, 11720 telephone number (631) 285-8019, Fax (631) 738-2748 and email: hchessler@mccsd.net 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 KAREN LESSLER, Ed.D
President of the Board of Education
Middle Country Central School District
Centereach, New York

August , 2019

# APPENDIX A

# FINANCIAL INFORMATION

## FINANCIAL INFORMATION

### Valuations, Tax Levies and Tax Rates

| | Fiscal Year Ending June 30: | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Assessed Valuation | $ 52,715,646 | $ 52,441,279 | $ 52,182,564 | $ 52,383,338 | 52,445,161 |
| Equalization Rate | 0.95% | 0.95% | 0.91% | 0.90% | 0.86% |
| Full Valuation | 5,549,015,367 | 5,520,134,631 | 5,734,347,691 | 5,820,370,888 | 6,098,274,534 |
| Tax Levy | | | | | |
| School | 113,243,661 | 115,023,773 | 114,749,960 | 117,476,586 | 121,185,166 |
| Library | 14,443,037 | 14,640,561 | 14,700,354 | 14,883,154 | 15,053,859 |
| Tax Rate per $1,000 of Assessed Valuation | | | | | |
| School | 2,148.20 | 2,193.38 | 2,551.36 | 2,589.07 | 2,651.51 |
| Library | 273.98 | 279.18 | 281.71 | 284.12 | 287.04 |

## Statement of Revenues, Expenditures and Fund Balances

## General Fund

| | Fiscal Year Ending June 30: | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Revenues: | | | | | |
| Real Property Taxes | $ 110,256,499 | $ 113,353,244 | $ 115,125,176 | 114,883,456 | $ 117,694,213 |
| Other Tax Items - Including STAR | 18,662,950 | 18,146,537 | 18,610,578 | 18,523,825 | 18,304,139 |
| Charges for Services | 1,175,932 | 1,339,981 | 1,273,430 | 1,352,071 | 1,232,941 |
| Use of Money and Property | 211,255 | 204,438 | 197,011 | 273,956 | 673,537 |
| Sale of Property and Compensation for Loss | 285,394 | 481,176 | 366,356 | 434,667 | 1,282,215 |
| Premium on TAN Obligations | 0 | 289,905 | 473,267 | 420,420 | 0 |
| Miscellaneous | 735,588 | 570,296 | 838,539 | 1,009,345 | 777,223 |
| State Sources | 75,588,783 | 75,885,274 | 83,740,131 | 87,307,370 | 90,124,385 |
| Federal Sources | 49,401 | 93,327 | 188,758 | 196,422 | 173,396 |
| Total Revenues | 206,965,802 | 210,364,178 | 220,813,246 | 224,401,532 | 230,262,049 |
| Expenditures: | | | | | |
| General Support | 20,493,786 | 20,801,913 | 20,240,076 | 21,132,256 | 22,065,926 |
| Instruction | 108,305,068 | 112,483,697 | 114,367,503 | 115,713,892 | 120,554,424 |
| Pupil Transportation | 14,204,244 | 14,635,743 | 14,302,100 | 14,779,424 | 14,227,374 |
| Employee Benefits | 54,525,308 | 56,883,110 | 55,659,610 | 56,900,702 | 57,652,767 |
| Debt Service | 9,107,169 | 9,028,035 | 9,177,762 | 8,720,600 | 10,010,977 |
| Total Expenditures | 206,635,575 | 213,832,498 | 213,747,051 | 217,246,874 | 224,511,468 |
| Excess (Deficit) of Revenues Over Expenditures | 330,227 | (3,468,320) | 7,066,195 | 7,154,658 | 5,750,581 |
| Other Sources and Uses | | | | | |
| Premium on Short Term Obligations | | | | | 317,243 |
| Operating Transfers In | | | 782,733 | | |
| Proceeds for Sale of Land | | | | 1,265,600 | |
| Operating Transfers (Out) | (500,774) | (408,063) | (394,347) | (395,062) | (442,621) |
| Total Other Sources (Uses) | (500,774) | (408,063) | 388,386 | 870,538 | (125,378) |
| Fund Balance - Beginning of Year | 33,232,073 | 33,061,526 | 29,185,143 | 36,639,724 | 44,664,920 |
| Fund Balance - End of Year | $ 33,061,526 | $ 29,185,143 | $ 36,639,724 | $ 44,664,920 | $ 50,290,123 |

NOTE: This Schedule NOT audited.
Sources: Audited Financial Statements.

## Comparative Balance Sheet - General Fund

| | Fiscal Year Ending June 30: | | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| Assets: | | | |
| Cash | | | |
| Unrestricted | $ 22,166,921 | $ 19,152,596 | $ 19,198,644 |
| Restricted | 22,050,406 | 31,688,006 | 37,096,482 |
| Receivables | | | |
| Accounts Receivable | 10,949 | 48,527 | 48,059 |
| State & Federal Aid | 5,167,217 | 5,130,641 | 6,304,724 |
| Due From Other Governments | 92,606 | 108,244 | 161,492 |
| Due From Other Funds | 6,376,650 | 6,481,727 | 3,880,435 |
| Total Assets | $ 55,864,749 | $ 62,609,741 | 66,689,836 |
| Liabilities and Fund Balance: | | | |
| Payables: | | | |
| Accounts Payable | $ 1,115,963 | $ 1,418,777 | 1,247,986 |
| Accrued Liabilities | 1,982,138 | 2,012,368 | 1,911,286 |
| Due to Other Governments | 258 | | 47,315 |
| Due To Teachers' Retirement System | 12,504,549 | 11,323,160 | 9,882,988 |
| Due To Employees' Retirement System | 1,078,838 | 1,034,131 | 1,030,387 |
| Deferred Inflows of Resources | 1,272,809 | 1,272,809 | 1,272,809 |
| Collections in Advance | 4,560 | | |
| Compensated Absences | 1,265,910 | 883,576 | 1,006,942 |
| Total Liabilites | 19,225,025 | 17,944,821 | 16,399,713 |
| Fund Balances: | | | |
| Restricted | | | |
| Workers' Compensation | 3,581,398 | 5,576,263 | 5,653,427 |
| Unemployment Insurance | 155,181 | 155,369 | 157,519 |
| Insurance | 1,267,917 | 1,269,454 | 1,287,022 |
| Property Loss | 608,571 | 609,309 | 617,742 |
| Liability Loss | 608,571 | 609,309 | 617,742 |
| Retirement Contribution | 6,664,972 | 8,862,186 | 11,893,304 |
| Employee Benefit Accrued Liability | 9,163,796 | 14,606,116 | 16,869,726 |
| Assigned | | | |
| Appropriated Fund Balance | 3,865,000 | 2,400,000 | 2,400,000 |
| Unappropriated Fund Balance | 1,097,218 | 833,308 | 790,058 |
| Unassigned | 9,627,100 | 9,743,606 | 10,003,583 |
| Total Fund Equity | 36,639,724 | 44,664,920 | 50,290,123 |
| Total Liabilities and Fund Equity | $ 55,864,749 | $ 62,609,741 | $ 66,689,836 |

NOTE: This Schedule NOT audited.
Sources: Audited Financial Statements

## Budget Summaries

| | 2019 (a) | 2020 (b) |
|---|---|---|
| Revenues: | | |
| Real Property Taxes & Tax Items (c) | $ 121,062,181 | $ 124,779,982 |
| STAR | 18,147,547 | 17,873,706 |
| Use of Money and Property | 224,916 | 330,000 |
| State Sources | 97,016,907 | 100,784,121 |
| Federal Aid - Education Jobs Fund | 215,000 | 215,000 |
| Other Revenues | 2,024,464 | 2,019,051 |
| Interfund Transfers | 9,033,586 | 9,033,586 |
| Appropriation of Fund Balance | 2,400,000 | 2,400,000 |
| Total Revenues | $ 250,124,601 | $ 257,435,446 |
| Expenditures: | | |
| General Support | $ 24,847,919 | $ 25,326,512 |
| Instruction | 129,339,291 | 133,687,183 |
| Transportation | 16,349,035 | 15,568,477 |
| Benefits | 63,252,020 | 64,018,317 |
| Debt Service | 15,878,689 | 18,377,310 |
| Transfer to Special Aid | 457,647 | 457,647 |
| Total Expenditures | $ 250,124,601 | $ 257,435,446 |

(a) Approved by the qualified voters of the District on May 15, 2018.
(b) Approved by the qualified voters of the District on May 20, 2019.
(c) Excludes Libray Tax Levy.

# APPENDIX B

# CASH FLOW SUMMARIES

**CASH FLOW SUMMARY 2018-2019 (Actual)**

| | Jul[a] | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance | 19,006 | 8,387 | 38,666 | 34,972 | 13,355 | 14 | 26 | 55,732 | 46,799 | 57,527 | 37,957 | 44,251 | 19,006 |
| Receipts | | | | | | | | | | | | | |
| Property Taxes[b] | | | | | | 2,678 | 63,365 | 14,257 | 2,104 | 1,627 | 7,679 | 44,843 | 136,553 |
| Star Payment | | | | | | | 17,874 | | | | | | 17,874 |
| State Aid | 1,667 | 3,101 | 10,073 | 1,872 | 2,870 | 7,723 | 33 | 1,382 | 31,526 | 58 | 16,378 | 8,515 | 85,198 |
| Interfund Transfers | 944 | 5,768 | 13 | | 3,150 | 5,140 | 991 | 1,092 | 280 | 984 | 1,132 | 232 | 19,726 |
| Bond Proceeds | | | | | | | 28,530 | | | | | | 28,530 |
| Other Receipts | 243 | 38 | 92 | 147 | 137 | 15 | 12 | 132 | 276 | 348 | 1,154 | 255 | 2,849 |
| TAN Proceeds | | 38,864 | | | | | | | | | | | 38,864 |
| Total Receipts | 2,854 | 47,771 | 10,178 | 2,019 | 6,157 | 15,556 | 110,805 | 16,863 | 34,186 | 3,017 | 26,343 | 53,845 | 329,594 |
| Disbursements | | | | | | | | | | | | | |
| Salaries & Benefits | 3,281 | 4,270 | 10,567 | 12,640 | 11,732 | 13,056 | 17,081 | 12,828 | 17,999 | 12,698 | 12,167 | 29,894 | 158,213 |
| Services & Supplies | 5,712 | 4,374 | 3,305 | 6,624 | 5,869 | 2,488 | 9,287 | 5,769 | 5,459 | 5,517 | 5,340 | 12,063 | 71,807 |
| Interfund Transfers | | | | | 1,775 | | 28,575 | 6,000 | | | | | 36,350 |
| Library Payments | 3,763 | | | 3,763 | | | | | | 3,763 | | | 11,289 |
| Debt Service | 717 | 8,848 | | 609 | 122 | | 156 | 1,199 | | 609 | 2,542 | | 14,802 |
| TAN Principal | | | | | | | | | | | | 38,500 | 38,500 |
| TAN Interest | | | | | | | | | | | | 946 | 946 |
| Total Disbursements | 13,473 | 17,492 | 13,872 | 23,636 | 19,498 | 15,544 | 55,099 | 25,796 | 23,458 | 22,587 | 20,049 | 81,403 | 331,907 |
| Balance | 8,387 | 38,666 | 34,972 | 13,355 | 14 | 26 | 55,732 | 46,799 | 57,527 | 37,957 | 44,251 | 16,693 | 16,693 |
| 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 | 38,500 | 38,500 |
| Disbursements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,500 | 38,500 |
| Closing Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Note: Cash Flows do not include $36,888,006 in restricted reserves.

(a) Balance as of June 30, 2018
(b) Includes Libary Tax Levy

**CASH FLOW SUMMARY 2019-2020 (Projected)**

| | Jul[a] | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance | 16,693 | 6,997 | 1,115 | 32,956 | 14,933 | 1,188 | 419 | 51,756 | 47,454 | 55,996 | 39,826 | 52,123 | 16,693 |
| Receipts | | | | | | | | | | | | | |
| Property Taxes[b] | 19 | | | | | 2,700 | 65,000 | 15,000 | 2,104 | 1,820 | 7,679 | 45,614 | 139,936 |
| Star Payment | | | | | | | 17,874 | | | | | | 17,874 |
| State Aid | 65 | 2,489 | 12,073 | 2,872 | 870 | 13,052 | 33 | 2,382 | 24,139 | 2,058 | 26,378 | 11,194 | 97,605 |
| Interfund Transfers | 764 | 8,768 | 13 | 1,012 | 2,150 | 984 | 991 | 1,092 | 424 | 984 | 432 | 232 | 17,846 |
| Other Receipts | 24 | 2,038 | 1,092 | 147 | 137 | 15 | 12 | 132 | 276 | 1,087 | 376 | 255 | 5,591 |
| TAN Proceeds | | | 38,500 | | | | | | | | | | 38,500 |
| Total Receipts | 872 | 13,295 | 51,678 | 4,031 | 3,157 | 16,751 | 83,910 | 18,606 | 26,943 | 5,949 | 34,865 | 57,295 | 317,352 |
| Disbursements | | | | | | | | | | | | | |
| Salaries & Benefits | 3,840 | 8,484 | 12,532 | 12,532 | 12,532 | 12,532 | 19,251 | 16,032 | 12,532 | 12,532 | 13,167 | 32,791 | 168,757 |
| Services & Supplies | 2,218 | 2,374 | 3,305 | 5,124 | 4,308 | 4,988 | 6,287 | 5,769 | 5,869 | 5,189 | 6,879 | 19,173 | 71,483 |
| Interfund Transfers | | | 4,000 | | | | | | | | | 2,000 | 6,000 |
| Library Payments | 3,789 | | | 3,789 | | | 3,789 | | | 3,789 | | | 15,156 |
| Debt Service | 721 | 8,319 | | 609 | 62 | | 3,246 | 1,107 | | 609 | 2,522 | | 17,195 |
| TAN Principal | | | | | | | | | | | | 38,500 | 38,500 |
| TAN Interest | | | | | | | | | | | | 1,182 | 1,182 |
| Total Disbursements | 10,568 | 19,177 | 19,837 | 22,054 | 16,902 | 17,520 | 32,573 | 22,908 | 18,401 | 22,119 | 22,568 | 93,646 | 318,273 |
| Balance | 6,997 | 1,115 | 32,956 | 14,933 | 1,188 | 419 | 51,756 | 47,454 | 55,996 | 39,826 | 52,123 | 15,772 | 15,772 |
| 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 | 38,500 | 38,500 |
| Disbursements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,500 | 38,500 |
| Closing Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Note: Cash Flows do not include approximately $40.0 million in restricted reserves.

(a) Balance as of June 30, 2019
(b) Includes Libary Tax Levy

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH**

# 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 IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

# MIDDLE COUNTRY CENTRAL 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
Middle Country Central 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 Middle Country Central 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 Middle Country Central 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, Middle Country Central 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 the 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 62 through 66, 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 Middle Country Central 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 October 12, 2018 on our consideration of the Middle Country Central 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 Middle Country Central School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2018

Exhibit 1

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Middle Country Central 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 Based 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

- On May 15, 2018, the proposed 2018-2019 budget in the amount of $250,124,601 was approved by over 74% of the District's residents who voted. The property tax levy was below the property tax cap.

- On November 18, 2014 the proposed Bond Referendum in the amount of $125,158,351 was approved by the District's residents. The Bond is for district wide facility improvements, bus and equipment acquisitions, Science, Technology, Engineering, & Math (STEM) labs, cafeterias and playground upgrades. Bonds were issued on August 24, 2016 and August 15, 2017 in the amounts of $32,000,000 and $47,000,000, respectively. As of June 30, 2018, there are unspent Bond Proceeds of $18,993,187.

- The District continues to enhance STEM (Science, Technology, Engineering & Math) programs. During the 2017-2018 school year, the District spent approximately $290,000 to purchase Chromebooks for all grade 5 students. The District plans to expand this program for all grades 4-7 during the 2018-2019 school year.

- The District did not utilize any reserves during the year ending June 30, 2018. Actual expenses in the areas of health insurance, BOCES, and NYS retirement expenses were lower than anticipated. This resulted in an increase in the fund balance of the general fund of more than $5 million dollars.

## 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

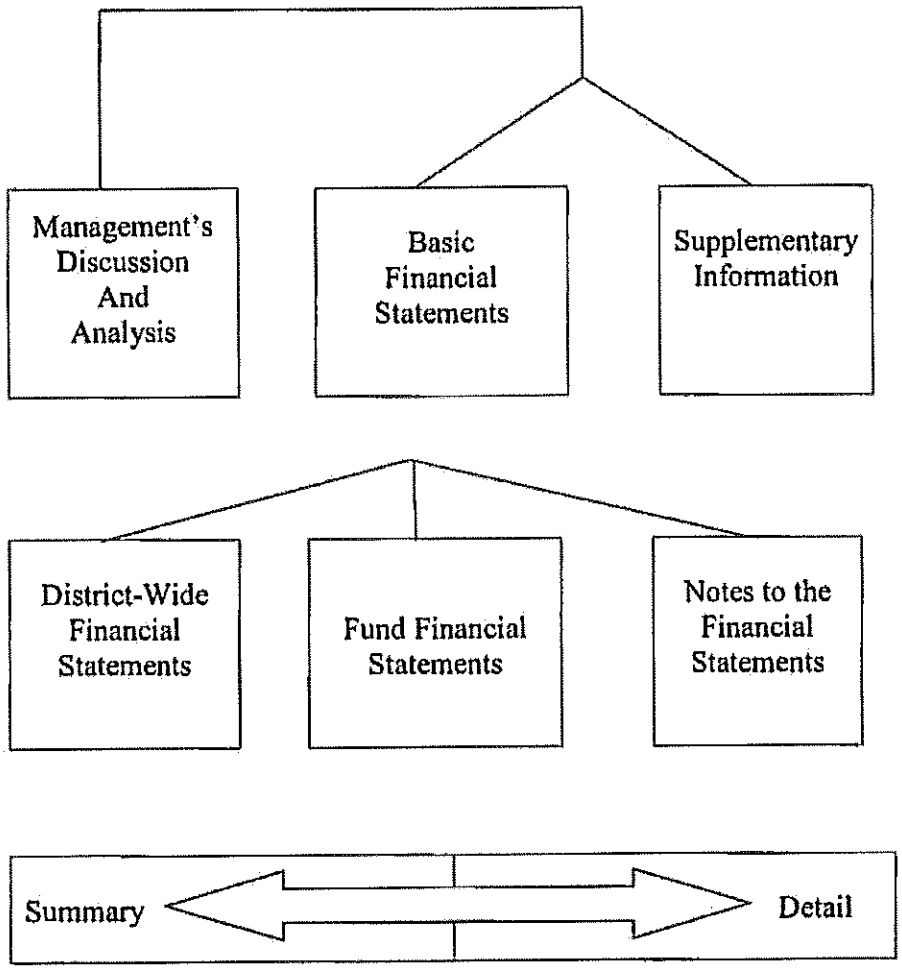



Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## A) District-Wide Financial Statements

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

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

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

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

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* 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* is net position that does not meet any of the above restrictions.

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## B) Fund Financial Statements

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

The District has two kinds of funds:

### i) Governmental funds

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

### ii) Fiduciary funds

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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

## 3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### A) Net Position

The District's total net deficit increased by $9,620,298 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) | Total Percentage Change |
|---|---|---|---|---|
| Current assets | $ 90,126,815 | $ 70,564,344 | $ 19,562,471 | 27.72% |
| Capital assets, net | 143,204,285 | 116,026,765 | 27,177,520 | 23.42% |
| Net pension asset - proportionate share | 4,458,813 | | 4,458,813 | N/A |
| Total assets | 237,789,913 | 186,591,109 | 51,198,804 | 27.44% |
| Deferred outflows of resources | 70,920,285 | 66,532,556 | 4,387,729 | 6.59% |
| Total assets and deferred outflows of resources | $ 308,710,198 | $ 253,123,665 | $ 55,586,533 | 21.96% |
| Other liabilities | $ 21,831,532 | $ 20,070,882 | $ 1,760,650 | 8.77% |
| Long-term liabilities | 546,880,451 | 534,664,614 | 12,215,837 | 2.28% |
| Total liabilities | 568,711,983 | 554,735,496 | 13,976,487 | 2.52% |
| Deferred inflows of resources | 56,955,520 | 5,725,176 | 51,230,344 | 894.83% |
| Total liabilities and deferred inflows of resources | 625,667,503 | 560,460,672 | 65,206,831 | 11.63% |
| Net position (deficit) | | | | |
| Net investment in capital assets | 40,760,837 | 40,210,910 | 549,927 | 1.37% |
| Restricted | 38,113,604 | 32,356,847 | 5,756,757 | 17.79% |
| Unrestricted (deficit) | (395,831,746) | (379,904,764) | (15,926,982) | -4.19% |
| Total net position (deficit) | (316,957,305) | (307,337,007) | (9,620,298) | -3.13% |
| Total liabilities, deferred inflows of resources, and net position | $ 308,710,198 | $ 253,123,665 | $ 55,586,533 | 21.96% |

* Long-term liabilities and unrestricted net position for 2017 have been restaetd for the implementation of GASB Statement No. 75. See Note 17 for further information.

Current assets increased $19,562,471 from 2017 to 2018 primarily due to increases in restricted cash due to the bond issuance. Capital assets (net of depreciation) increased by $27,177,520 primarily due to the acquisition of assets and construction in progress with capital projects exceeding depreciation. The District reported a net pension asset of $4,458,813 for the Teachers' Retirement System as a result of the actuarial valuation provided by the State. In the prior year it reported a net pension liability for the Teachers' Retirement System. Deferred outflows of resources related to the pension plans and other post employment benefits increased by $4,387,729, and represents

contributions to the retirement plans subsequent to the measurement dates and actuarial determined amounts that will be amortized in future years.

Other liabilities increased by $1,760,650. This was primarily attributed to an increase in accounts payable relating to capital bond projects. Long-term liabilities increased by $12,215,837 primarily due to a bond payable issued for the 2014 bond project in the amount of $47,000,000, offset by repayment of principal on serial bonds, and a decrease in total other post employment benefits obligation.

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 $549,927 primarily due to an increase in capital outlays, and the repayment of bond principal, offset by depreciation.

The restricted net position in the amount of $38,113,604 relates to the District's reserves: workers' compensation, unemployment insurance, insurance, property loss, liability, retirement contribution, and employee benefit accrued liability, as well as the fund balance of the debt service fund. The increase of $5,756,757 can be attributed to the funding of employee benefit accrued liability reserve for $2,061,488, the retirement contribution of $2,908,483, and the allocation of interest to the reserve funds of $438,505, and the increase in the fund balance of the debt service fund of $348,281.

The unrestricted net deficit relates to the balance of the District's net position. The deficit of $395,831,746 increased by $15,926,982 primarily due to expenses exceeding revenues.

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

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

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

| | 2018 | 2017 | (Decrease) | Change |
|---|---|---|---|---|
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | $ 1,845,907 | $ 2,068,761 | $ (222,854) | -10.77% |
| Operating and capital grants | 12,413,986 | 11,926,118 | 487,868 | 4.09% |
| General revenues | | | | |
| Real property taxes and other tax items | 135,998,352 | 133,407,281 | 2,591,071 | 1.94% |
| State sources | 90,124,385 | 87,307,370 | 2,817,015 | 3.23% |
| Use of money and property | 979,182 | 282,829 | 696,353 | 246.21% |
| Other | 2,442,903 | 2,216,687 | 226,216 | 10.21% |
| Total revenues | 243,804,715 | 237,209,046 | 6,595,669 | 2.78% |
| Special Item | | | | |
| Gain on the sale of land | - | 940,319 | (940,319) | 100.00% |
| Total revenues and special item | 243,804,715 | 238,149,365 | 5,655,350 | 2.37% |
| Expenses | | | | |
| General support | 28,556,877 | 28,269,515 | 287,362 | 1.02% |
| Instruction | 199,902,330 | 196,479,510 | 3,422,820 | 1.74% |
| Pupil transportation | 17,552,967 | 18,546,333 | (993,366) | -5.36% |
| Debt service - interest | 3,840,630 | 3,018,536 | 822,094 | 27.23% |
| Food service program | 3,572,209 | 3,665,789 | (93,580) | -2.55% |
| Total expenses | 253,425,013 | 249,979,683 | 3,445,330 | 1.38% |
| Increase (decrease) in net position | $ (9,620,298) | $ (11,830,318) | $ 2,210,020 | 18.68% |

The District's total fiscal year 2018 revenues totaled $243,804,715. (See Table A-4). Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 55.78% and 36.97%, respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating and capital grants, use of money and property, and other miscellaneous sources.

The cost of all programs and services totaled $253,425,013 for fiscal year 2018. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 85.81% of district expenses. (See Table A-6). The District's general support activities accounted for 11.27% of total costs.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

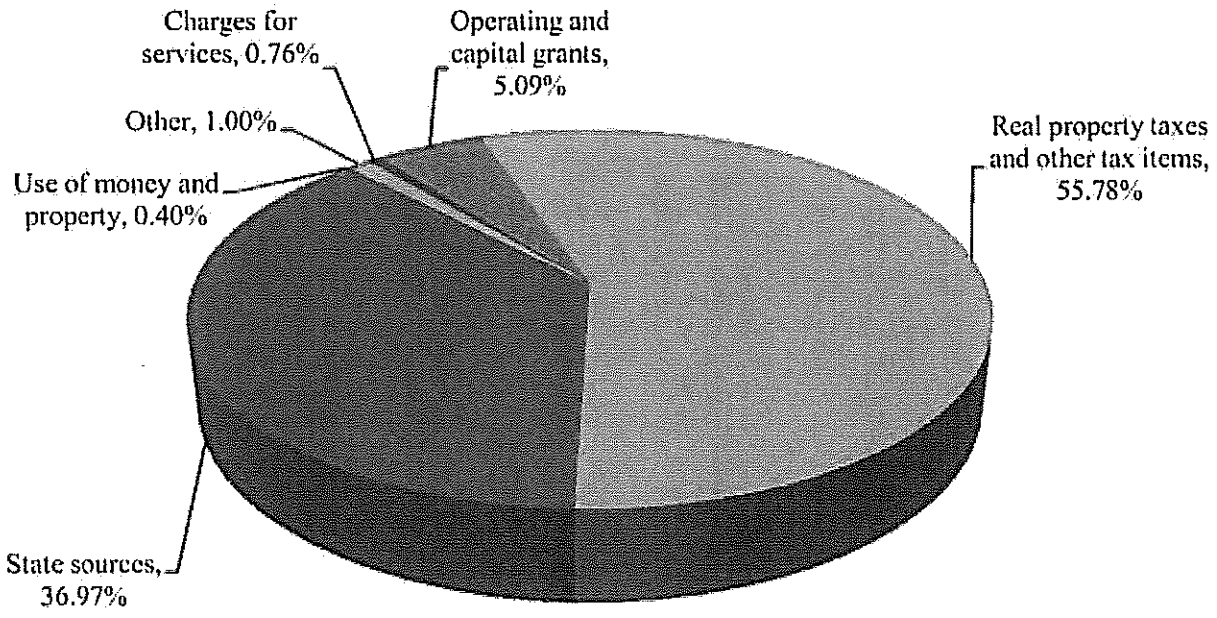
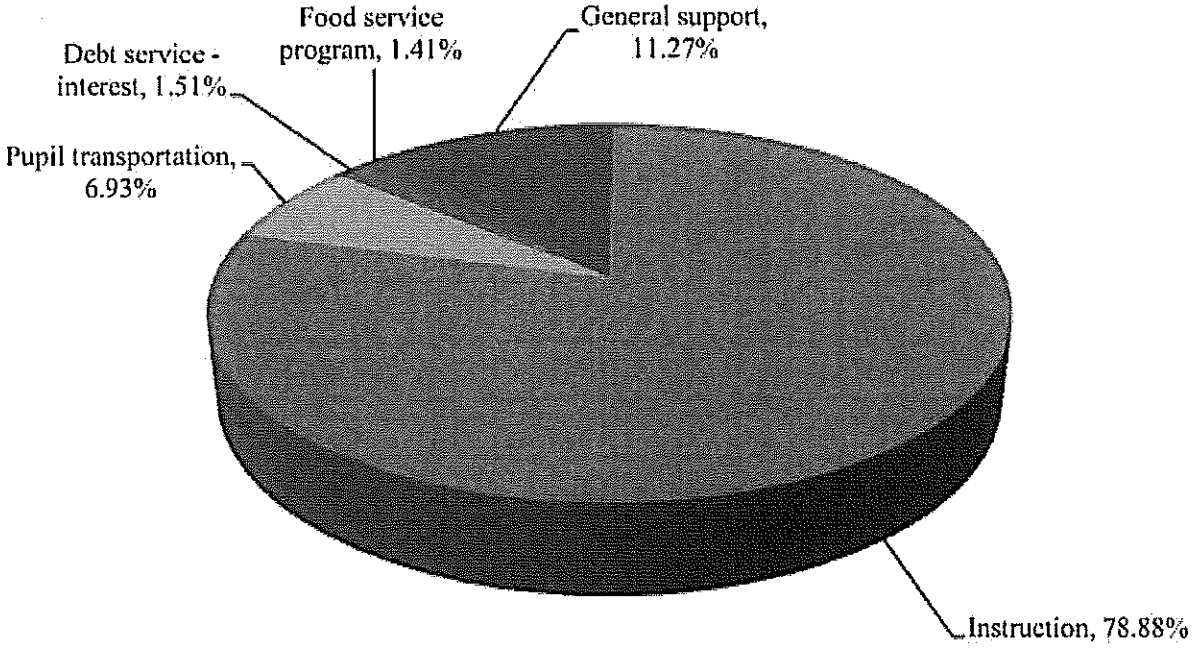



Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## C) Governmental Activities

Revenues for the District's governmental activities totaled $243,804,715 while total expenses equaled $253,425,013. The overall decrease in net position for governmental activities of $9,620,298 was primarily due to expenses exceeding revenues, primarily other post employment benefit expense of $24,394,224. However, the continuation of the District's good financial condition, as a whole, can be credited to:

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

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

Table A-7: Net Cost of Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| Category | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2018 | Fiscal Year 2017 |
| General support | $ 28,556,877 | $ 28,269,515 | $ 28,556,877 | $ 28,269,515 |
| Instruction | 199,902,330 | 196,479,510 | 189,310,557 | 186,244,156 |
| Pupil transportation | 17,552,967 | 18,546,333 | 17,552,967 | 18,546,333 |
| Debt service - interest | 3,840,630 | 3,018,536 | 3,840,630 | 3,018,536 |
| Food service program | 3,572,209 | 3,665,789 | (95,911) | (93,736) |
| Total | $ 253,425,013 | $ 249,979,683 | $ 239,165,120 | $ 235,984,804 |

- The cost of all governmental activities this year was $253,425,013. (Statement of Activities, Expenses column-see Exhibit 3)

- The users of the District's programs financed $1,845,907 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)

- The federal and state governments subsidized certain programs with grants of $12,413,986. (Statement of Activities, Operating Grants column – see Exhibit 3)

- Most of the District's net costs of $239,165,120 were financed by the District's taxpayers and state and federal aid. (Statements of Activities, 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.

As of June 30, 2018, the District's combined governmental funds reported a total fund balance of $67,051,184 which is an increase of $19,173,707 from the prior year. This increase is due to the increase in the general fund from operations of $ 5,625,203 and the issuance of a bond payable in the amount of $47,000,000 in the capital projects fund, partially offset by capital outlay. The increase in the general fund balance was primarily due to lower than budgeted expenses in payroll, retirement expense and BOCES.

Exhibit 1

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

| | Fiscal Year 2018 | Fiscal Year 2017 | Increase (Decrease) | Total Percentage Change |
|---|---|---|---|---|
| **General Fund** | | | | |
| Restricted for workers' compensation | $ 5,653,427 | $ 5,576,263 | $ 77,164 | 1.38% |
| Restricted for unemployment insurance | 157,519 | 155,369 | 2,150 | 1.38% |
| Restricted for insurance | 1,287,022 | 1,269,454 | 17,568 | 1.38% |
| Restricted for property loss and liability | 1,235,484 | 1,218,618 | 16,866 | 1.38% |
| Restricted for retirement contribution | 11,893,304 | 8,862,186 | 3,031,118 | 34.20% |
| Restricted for employee benefit accrued liability | 16,869,726 | 14,606,116 | 2,263,610 | 15.50% |
| Assigned - designated for subsequent year's expenditures | 2,400,000 | 2,400,000 | - | 0.00% |
| Assigned - general support | 192,515 | 222,056 | (29,541) | -13.30% |
| Assigned - instruction | 571,663 | 592,647 | (20,984) | -3.54% |
| Assigned - transportation | 21,522 | 18,605 | 2,917 | 15.68% |
| Assigned - employee benefits | 4,358 | - | 4,358 | |
| Unassigned | 10,003,583 | 9,743,606 | 259,977 | 2.67% |
| Total fund balance - general fund | 50,290,123 | 44,664,920 | 5,625,203 | 12.59% |
| **Special Aid Fund** | | | | |
| Assigned unappropriated | 15,601 | 11,008 | 4,593 | 41.72% |
| Total fund balance - special aid fund | 15,601 | 11,008 | 4,593 | 41.72% |
| **School Lunch Fund** | | | | |
| Nonspendable - inventory | 19,786 | 35,531 | (15,745) | -44.31% |
| Assigned unappropriated | 727,705 | 563,494 | 164,211 | 29.14% |
| Total fund balance - school lunch fund | 747,491 | 599,025 | 148,466 | 24.78% |
| **Debt Service Fund** | | | | |
| Restricted | 1,017,122 | 668,841 | 348,281 | 52.07% |
| Total fund balance - debt service fund | 1,017,122 | 668,841 | 348,281 | 52.07% |
| **Capital Projects Fund** | | | | |
| Unspent bond proceeds | 18,993,187 | 4,601,022 | 14,392,165 | 312.80% |
| Unassigned | (4,012,340) | (2,667,339) | (1,345,001) | -50.42% |
| Total fund balance-capital projects fund | 14,980,847 | 1,933,683 | 13,047,164 | 674.73% |
| Total fund balance - all funds | $ 67,051,184 | $ 47,877,477 | $ 19,173,707 | 40.05% |

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The increase in the general fund fund balance is due to an increase in revenue from real property taxes and State aid, and a decrease in expenses, primarily retirement expense.

The increase in the fund balance of the school lunch fund is the result of an operating surplus in the food service program.

The increase in the fund balance for the debt service fund is due to premiums received on debt proceeds during the year and interest income.

The increase in the fund balance for the capital projects fund is due to the issuance of bonds for various bond projects.

## 5. GENERAL FUND BUDGETARY HIGHLIGHTS

### A) 2017-2018 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2018 was $243,590,487. This amount was increased by encumbrances carried forward from the prior year in the amount of $833,308 which resulted in a final budget of $244,423,795. The majority of the funding was property taxes and STAR revenue of $135,841,300.

### B) Change in the General Fund Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is a component of 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 | $ 9,743,606 |
| Revenues under budget | (1,427,609) |
| Expenditures and encumbrances under budget | 18,679,648 |
| Assigned, appropriated for June 30, 2019 budget | (2,400,000) |
| Interest allocated to reserves | (438,504) |
| Funding of reserves | (4,969,971) |
| Unused appropriated reserves | (9,183,587) |
| Closing, unassigned fund balance | $ 10,003,583 |

The opening, unassigned fund balance of $9,743,606 represents the fund balance from June 30, 2017 that was retained.

The revenues under budget of $1,427,609 were primarily related to state and federal sources which was partially offset by revenues over budget in the sale of property and compensation for loss, and the premium on obligations - TAN (See Supplemental Schedule # 1 for detail).

The expenditures and encumbrances under budget of $18,679,648 were primarily in teaching – regular school, programs for children with handicapping conditions, BOCES, health insurance, retirement expenses and pupil transportation, (see Supplemental Schedule #1 for detail).

The assigned, appropriated fund balance of $2,400,000 for the June 30, 2019 budget is the amount the District has chosen to partially fund its operating budget for 2018-2019.

Interest of $438,504 was allocated to the reserves as follows: $77,164 to the workers' compensation reserve, $2,150 to the unemployment insurance reserve, $17,568 to the insurance reserve, $8,433 to the property loss reserve, $8,433 to the liability reserve, $122,635 to the retirement contribution reserve, and $202,121 to the employee benefit accrued liability reserve.

The District appropriated $9,183,587 of reserves for the 2017-2018 budget to reduce the tax levy. This amount was not utilized as the expenditures for salaries, BOCES, health insurance and retirement expenses were under budget during the 2017-2018 year. Due to the operating results, the district was able to fund reserves in the amount of $ 4,969,971 (as detailed on page 7 of this Management Discussion and Analysis).

The closing, unassigned fund balance of $10,003,583 represents the fund balance retained by the district that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2018-2019 budget. The District's unassigned fund balance is within this limit. Supplemental Schedule #5 includes the calculation for this limitation.

## 6. CAPITAL ASSET 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, is as follows:

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

| Category | Fiscal Year 2018 | Fiscal Year 2017 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| Land | $ 4,328,276 | $ 4,328,276 | $ - | 0.00% |
| Construction in progress | 59,987,497 | 27,262,154 | 32,725,343 | 120.04% |
| Buildings & building improvements | 151,573,403 | 151,558,785 | 14,618 | 0.01% |
| Furniture & equipment | 10,266,652 | 10,184,936 | 81,716 | 0.80% |
| Land improvement | 3,455,554 | 3,455,554 | - | 0.00% |
| Vehicles | 9,372,108 | 9,587,647 | (215,539) | -2.25% |
| Subtotal | 238,983,490 | 206,377,352 | 32,606,138 | 15.80% |
| Less: accumulated depreciation | 95,779,205 | 90,350,587 | 5,428,618 | 6.01% |
| Total net capital assets | $ 143,204,285 | $ 116,026,765 | $ 27,177,520 | 23.42% |

The District spent $32,720,886 in the capital projects fund during the year on building improvements and architectural and project manager fees related to the 2014 Bond referendum, and $1,281,950 on new buses and bus camera equipment. The District also spent $237,708 in the other funds on land improvements, furniture, equipment, and vehicles during the year.

**B) Long-Term Debt**

At June 30, 2018 the District had total bonds payable of $112,615,000 issued for District-Wide projects. The District had energy performance contract debt in the amount of $8,931,253 as of June 30, 2018. The District has installment purchase debt for copiers in the amount of $31,582 as of June 30, 2018.The increase in outstanding debt primarily relates to the issuance of a serial bond in the amount of $47,000,000 offset by payments of principal of bonds payable in the amount of $5,575,000.

A summary of outstanding debt at June 30, 2018 and 2017 is as follows:

| | 2018 | 2017 | Increase (Decrease) |
|---|---|---|---|
| Serial bonds | $112,615,000 | $71,190,000 | $41,425,000 |
| Energy performance contract | 8,931,253 | 9,823,924 | (892,671) |
| Installment purchase debt | 31,582 | 59,591 | (28,009) |
| Total | $121,577,835 | $81,073,515 | $40,504,320 |

Please refer to Note 13 for further detail on long-term debt disclosures.

## 7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The District issued $38,500,000 in tax anticipation notes on August 30, 2018, maturing June 25, 2019 with an interest rate of 3.0%.

B) The general fund budget for the 2018-2019 school year was approved by the voters in the amount of $250,124,601. This is an increase of $6,534,114 or 2.68 % over the previous year's budget. The increase was primarily due to increases in salaries, security, and debt service expenses.

C) As of June 30, 2018, the District has authorized $125,158,351 for a facility improvement bond referendum that was approved by the District's residents on November 18, 2014. The District has issued $79,000,000 of this indebtedness as of June 30, 2018.

D) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

## 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:

Middle Country Central School District
Mr. Herbert Chessler
Assistant Superintendent for Business
8 43rd Street
Centereach, New York 11720
(631) 285-8020

Exhibit 2

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## JUNE 30, 2018

| | |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash | |
| Unrestricted | $19,237,289 |
| Restricted | 55,065,808 |
| Receivables | |
| State and federal aid | 12,222,858 |
| Due from other governments | 1,866,492 |
| Due from fiduciary fund | 1,666,324 |
| Accounts receivable | 48,258 |
| Inventories | 19,786 |
| Non-current assets | |
| Capital assets | |
| Not being depreciated | 64,315,773 |
| Being depreciated, net of accumulated depreciation | 78,888,512 |
| Net pension asset - proportionate share | 4,458,813 |
| **TOTAL ASSETS** | 237,789,913 |
| | |
| **DEFFERED OUTFLOWS OF RESOURCES** | |
| Pensions | 66,034,032 |
| Other post employment benefits | 4,886,253 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 70,920,285 |
| | |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $308,710,198 |
| | |
| **LIABILITIES** | |
| Payables | |
| Accounts payable | $6,113,810 |
| Accrued liabilities | 1,950,398 |
| Due to other governments | 47,414 |
| Due to teachers' retirement system | 9,882,988 |
| Due to employees' retirement system | 1,030,387 |
| Compensated absences payable | 1,006,942 |
| Interest payable | 1,733,710 |
| Unearned credits | |
| Collections in advance | 65,883 |
| Long-term liabilities | |
| Due and payable within one year | |
| Installment purchase debt payable | 24,013 |
| Energy performance contract payable | 923,189 |
| Bonds payable | 10,010,000 |
| Claims payable | 1,200,000 |
| Termination benefits payable | 140,000 |
| Compensated absences payable | 1,200,000 |
| Due and payable after one year | |
| Installment purchase debt payable | 7,569 |
| Energy performance contract payable | 8,008,064 |
| Bonds payable | 102,605,000 |
| Claims payable | 2,606,699 |
| Termination benefits payable | 9,900,000 |
| Compensated absences payable | 17,400,589 |
| Total other post employment benefits obligation | 390,506,588 |
| Net pension liability - proportionate share | 2,348,740 |
| **TOTAL LIABILITIES** | 568,711,983 |
| | |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pensions | 20,346,776 |
| Other post employment benefits | 35,044,944 |
| Gain on defeasance - bond refundings | 1,563,800 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 56,955,520 |
| | |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 625,667,503 |
| | |
| **NET POSITION (DEFICIT)** | |
| Net investment in capital assets | 40,760,837 |
| | |
| Restricted | |
| Workers' compensation | 5,653,427 |
| Unemployment insurance | 157,519 |
| Insurance | 1,287,022 |
| Property loss | 617,742 |
| Liability | 617,742 |
| Retirement contribution | 11,893,304 |
| Employee benefit accrued liability | 16,869,726 |
| Debt service | 1,017,122 |
| | 38,113,604 |
| | |
| Unrestricted (Deficit) | (395,831,746) |
| | |
| **TOTAL NET POSITION (DEFICIT)** | (316,957,305) |
| | |
| **TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES, AND LIABILITIES** | $308,710,198 |



See Accompanying Notes to Financial Statements

Exhibit 3

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## STATEMENT OF 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 | ($28,556,877) | | | ($28,556,877) |
| Instruction | (199,902,330) | $437,941 | $10,153,832 | (189,310,557) |
| Pupil transportation | (17,552,967) | | | (17,552,967) |
| Debt service - interest | (3,840,630) | | | (3,840,630) |
| Food service program | (3,572,209) | 1,407,966 | 2,260,154 | 95,911 |
| **TOTAL FUNCTIONS AND PROGRAMS** | ($253,425,013) | $1,845,907 | $12,413,986 | (239,165,120) |
| **GENERAL REVENUES** | | | | |
| Real property taxes | | | | 117,694,213 |
| Other tax items - including STAR reimbursement | | | | 18,304,139 |
| State sources | | | | 90,124,385 |
| Use of money & property | | | | 979,182 |
| Sale of property & compensation for loss | | | | 1,132,215 |
| Premium on obligations | | | | 360,069 |
| Miscellaneous | | | | 777,223 |
| Medicaid reimbursement | | | | 173,396 |
| **TOTAL GENERAL REVENUES** | | | | 229,544,822 |
| **CHANGE IN NET POSITION** | | | | (9,620,298) |
| **TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 17)** | | | | (307,337,007) |
| **TOTAL NET POSITION (DEFICIT) - END OF YEAR** | | | | ($316,957,305) |



See Accompanying Notes to Financial Statements

Exhibit 4

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## BALANCE SHEET - GOVERNMENTAL FUNDS
## JUNE 30, 2018

| | General | Special Aid | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | | | | | | |
| Unrestricted | $19,198,644 | $10,275 | $28,370 | | | $19,237,289 |
| Restricted | 37,096,482 | | | $914,490 | $17,054,836 | 55,065,808 |
| Receivables | | | | | | |
| State and federal aid | 6,304,724 | 5,801,020 | 117,114 | | | 12,222,858 |
| Due from other governments | 161,492 | | | | | 161,492 |
| Due from other funds | 3,880,435 | | 813,892 | 102,632 | 2,455,973 | 7,252,932 |
| Accounts receivable | 48,059 | | 199 | | | 48,258 |
| Inventories | | | 19,786 | | | 19,786 |
| **TOTAL ASSETS** | $66,689,836 | $5,811,295 | $979,361 | $1,017,122 | $19,510,809 | $94,008,423 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | | | |
| Payables | | | | | | |
| Accounts payable | $1,247,986 | $169,974 | $165,888 | | $4,529,962 | $6,113,810 |
| Accrued liabilities | 1,911,286 | 39,112 | | | | 1,950,398 |
| Due to other governments | 47,315 | | 99 | | | 47,414 |
| Due to other funds | | 5,586,608 | | | | 5,586,608 |
| Due to teachers' retirement system | 9,882,988 | | | | | 9,882,988 |
| Due to employees' retirement system | 1,030,387 | | | | | 1,030,387 |
| Compensated absences | 1,006,942 | | | | | 1,006,942 |
| Unearned credits | | | | | | |
| Collections in advance | | | 65,883 | | | 65,883 |
| **TOTAL LIABILITIES** | 15,126,904 | 5,795,694 | 231,870 | - | 4,529,962 | 25,684,430 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Building aid | 1,272,809 | | | | | 1,272,809 |
| **FUND BALANCES** | | | | | | |
| Nonspendable: inventory | | | 19,786 | | | 19,786 |
| Restricted | | | | | | |
| Workers' compensation | 5,653,427 | | | | | 5,653,427 |
| Unemployment insurance | 157,519 | | | | | 157,519 |
| Insurance | 1,287,022 | | | | | 1,287,022 |
| Property loss | 617,742 | | | | | 617,742 |
| Liability | 617,742 | | | | | 617,742 |
| Retirement contribution | 11,893,304 | | | | | 11,893,304 |
| Employee benefit accrued liability | 16,869,726 | | | | | 16,869,726 |
| Debt service | | | | 1,017,122 | | 1,017,122 |
| Unspent bond proceeds | | | | | 18,993,187 | 18,993,187 |
| Assigned | | | | | | |
| Appropriated fund balance | 2,400,000 | | | | | 2,400,000 |
| Unappropriated fund balance | 790,058 | 15,601 | 727,705 | | | 1,533,364 |
| Unassigned | 10,003,583 | | | | (4,012,340) | 5,991,243 |
| **TOTAL FUND BALANCES** | 50,290,123 | 15,601 | 747,491 | 1,017,122 | 14,980,847 | 67,051,184 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $66,689,836 | $5,811,295 | $979,361 | $1,017,122 | $19,510,809 | $94,008,423 |



See Accompanying Notes to Financial Statements

Exhibit 5

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**RECONCILIATION OF GOVERNMENTAL FUNDS**
**BALANCE SHEET TO STATEMENT OF NET POSITION**
**JUNE 30, 2018**

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $67,051,184 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives. | | |
| Original cost of capital assets | $238,983,490 | |
| Accumulated depreciation | (95,779,205) | 143,204,285 |
| Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. These amounts will be amortized in future years. | | |
| Deferred inflows related to pensions | ($20,346,776) | |
| Deferred inflows related to total OPEB liability | (35,044,944) | (55,391,720) |
| Deferred inflows of resources - defeasance gain -bond refundings. The Statement of Net Position will amortize the defeasance gains received over the life of the bond. Governmental funds record the defeasance gain as revenue in the year of issue. The balances on the defeasance gains at June 30, 2018 were as follows: | | |
| Defeasance gain - 2009 refunding | ($121,043) | |
| Defeasance gain - 2013 refunding | (632,114) | |
| Defeasance gain - 2016 refunding | (810,643) | (1,563,800) |
| Deferred inflows of resources - building aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. | | 1,272,809 |
| Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and OPEB that will be recognized as expenditures in future periods amounted to | | |
| Deferred outflows related to pensions | $66,034,032 | |
| Deferred outflows related to total OPEB liability | 4,886,253 | 70,920,285 |
| Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset, proportionate share for TRS at year end was | | 4,458,813 |
| Payables are associated with long-term liabilities that are not payable in the current period and are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: | | (1,733,710) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of: | | |
| Due from other governments (Library bond) | $1,705,000 | |
| Installment purchase debt payable | (31,582) | |
| Energy performance contract payable | (8,931,253) | |
| Bonds payable | (112,615,000) | |
| Claims payable | (3,806,699) | |
| Termination benefits payable | (10,040,000) | |
| Compensated absences payable | (18,600,589) | |
| Total other post employment benefits obligation | (390,506,588) | |
| Net pension liability-proportionate share (ERS) | (2,348,740) | |
| | | (545,175,451) |
| Total Net Position (Deficit) | | ($316,957,305) |



See Accompanying Notes to Financial Statements

Exhibit 6

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | General | Special Aid | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Real property taxes | $117,694,213 | | | | | $117,694,213 |
| Other tax items - including STAR reimbursement | 18,304,139 | | | | | 18,304,139 |
| Charges for services | 1,232,941 | | | | | 1,232,941 |
| Use of money and property | 673,537 | | $190 | $305,455 | | 979,182 |
| Sale of property and compensation for loss | 1,282,215 | | | | | 1,282,215 |
| Miscellaneous | 777,223 | $7,664 | | | | 784,887 |
| State sources | 90,124,385 | 6,267,218 | 72,892 | | | 96,464,495 |
| Federal sources | 173,396 | 3,878,950 | 1,898,906 | | | 5,951,252 |
| Surplus food | | | 288,356 | | | 288,356 |
| Sales | | | 1,407,966 | | | 1,407,966 |
| **TOTAL REVENUES** | 230,262,049 | 10,153,832 | 3,668,310 | 305,455 | - | 244,389,646 |
| **EXPENDITURES** | | | | | | |
| General support | 22,065,926 | | | | | 22,065,926 |
| Instruction | 120,554,424 | 10,159,345 | | | | 130,713,769 |
| Pupil transportation | 14,227,374 | 382,515 | | | 1,281,950 | 15,891,839 |
| Employee benefits | 57,652,767 | | | | | 57,652,767 |
| Debt service principal | 6,467,671 | | | | | 6,467,671 |
| Debt service interest | 3,543,306 | | | | | 3,543,306 |
| Cost of sales | | | 3,519,844 | | | 3,519,844 |
| Capital outlay | | | | | 32,720,886 | 32,720,886 |
| **TOTAL EXPENDITURES** | 224,511,468 | 10,541,860 | 3,519,844 | - | 34,002,836 | 272,576,008 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 5,750,581 | (388,028) | 148,466 | 305,455 | (34,002,836) | (28,186,362) |
| **OTHER FINANCING SOURCES AND (USES)** | | | | | | |
| Premium on short term obligations | 317,243 | | | | | 317,243 |
| Proceeds from issuance of serial bonds | | | | | 47,000,000 | 47,000,000 |
| Bond premium | | | | 42,826 | | 42,826 |
| Operating transfers in | | 392,621 | | | 50,000 | 442,621 |
| Operating transfers (out) | (442,621) | | | | | (442,621) |
| **TOTAL OTHER FINANCING SOURCES AND (USES)** | (125,378) | 392,621 | - | 42,826 | 47,050,000 | 47,360,069 |
| **NET CHANGE IN FUND BALANCES** | 5,625,203 | 4,593 | 148,466 | 348,281 | 13,047,164 | 19,173,707 |
| **FUND BALANCES - BEGINNING OF YEAR** | 44,664,920 | 11,008 | 599,025 | 668,841 | 1,933,683 | 47,877,477 |
| **FUND BALANCES - END OF YEAR** | $50,290,123 | $15,601 | $747,491 | $1,017,122 | $14,980,847 | $67,051,184 |



See Accompanying Notes to Financial Statements

Exhibit 7

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | | |
|---|---|---|
| Net Change in Fund Balances | | $19,173,707 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Long Term Revenue and Expense Differences | | |
| In the Statement of Activities certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. | | |
| Decrease in claims payable | | 107,532 |
| Increase in termination benefits payable | | (415,000) |
| Increase in compensated absences | | (1,167,977) |
| Changes in the proportionate share of net pension asset/liability, and total other post employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. | | |
| Teachers' retirement system | ($1,726,945) | |
| Employees' retirement system | 1,701 | |
| Other post employment benefits obligation | (11,174,192) | (12,899,436) |
| 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 | $34,240,544 | |
| Depreciation expense | (6,665,943) | |
| Book value of assets sold and disposed | (397,081) | 27,177,520 |
| Long-Term Debt Transactions | | |
| Interest on long-term debt in the Statement of Activities is different from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities interest expense is recognized as it accrues regardless of when it is due. Accrued interest from June 30, 2017 to June, 2018 changed by: | | (576,886) |
| Governmental funds reports the premiums, discounts and similar items on the refunded debt when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities. | | |
| Amortization on the 2009 bond refunding | $121,038 | |
| Amortization on the 2013 bond refunding | 77,796 | |
| Amortization on the 2016 bond refunding | 80,728 | 279,562 |
| Proceeds from serial bonds are an other financing source in the governmental funds, but they increase long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | (47,000,000) |
| Repayment of energy performance contract debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | 892,671 |
| Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | 5,575,000 |
| Repayment of installment purchase debt principal is an expenditure in the governmental fund, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | 28,009 |
| Repayment of library bond principal is a source of revenue in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and doesn't affect the Statement of Activities. | | (795,000) |
| Change in Net Position | | ($9,620,298) |



See Accompanying Notes to Financial Statements

Exhibit 8

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## JUNE 30, 2018

| | Private Purpose Trust Fund | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash - restricted | $973,289 | $2,737,050 |
| Due from governmental funds | 7,233 | |
| Other assets | | 15,931 |
| **TOTAL ASSETS** | $980,522 | $2,752,981 |
| **LIABILITIES** | | |
| Due to governmental funds | | $1,673,557 |
| Extraclassroom activity balance | | 219,237 |
| Other liabilities | | 860,187 |
| **TOTAL LIABILITIES** | - | $2,752,981 |
| **NET POSITION** | | |
| Restricted for scholarships | $980,522 | |
| **TOTAL LIABILITIES AND NET POSITION** | $980,522 | |



See Accompanying Notes to Financial Statements

Exhibit 9

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Private Purpose Trust Fund |
|---|---|
| **ADDITIONS** | |
| Gifts and contributions | $41,850 |
| Interest and earnings | 4,862 |
| **TOTAL ADDITIONS** | 46,712 |
| **DEDUCTIONS** | |
| Scholarships and awards | 53,255 |
| **CHANGE IN NET POSITION** | (6,543) |
| **NET POSITION - BEGINNING OF YEAR** | 987,065 |
| **NET POSITION- END OF YEAR** | $ 980,522 |



See Accompanying Notes to Financial Statements

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## NOTES TO FINANCIAL STATEMENTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Middle Country Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as they apply to governmental units. The Governmental Accounting Standards Board (GASB) prescribes those principles, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

### A) Reporting entity:

The laws of New York State govern the District. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. Inclusion of 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 the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. 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 Eastern Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

**C) Basis of presentation:**

i) District-Wide Financial Statements:

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

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

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

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

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

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

**D) Measurement focus and basis of accounting:**

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, termination benefits, compensated absences, net pension liabilities, and total other post-employment benefits obligations 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 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven during the period December 1, 2017 to June 30, 2018 without penalty.

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 1.

**F) Restricted resources:**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the

intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) **Interfund transactions:**

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

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

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

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

H) **Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, and deferred outflow of resources and liabilities, and deferred inflows of resources and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, termination benefits, total other post-employment benefits, workers compensation claims, net pension asset/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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

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

**K) Inventories and prepaid items:**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food 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.

A reserve for these non-liquid assets (inventory) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

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

**L) Capital assets:**

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals. 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 Statements are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---|---|---|---|
| Building & building improvements | $ 15,000 | Straight-line | 50 years |
| Furniture & equipment | $ 5,000 | Straight-line | 5-20 years |
| Land improvements | $ 15,000 | Straight-line | 20 years |
| Vehicles | $ 5,000 | 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 meals that have not yet been purchased in the school lunch fund.

**N) Deferred inflows and outflows of resources:**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources representing the financial effect of a deferred amount on the advanced refunding of general obligation serial bonds. The deferred inflow of resources resulted from the difference in the net carrying value of the refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The District also reported deferred inflows of resources related to pensions and the other post employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported deferred outflows of resources related to pensions and the other post employment benefits liability which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

**O) Vested employee benefits:**

Compensated absences:

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

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

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

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

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

Termination benefits:

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

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

**P) Other benefits:**

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

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

In addition to providing pension benefits, the District provides post employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by

recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payments). In the District-Wide Financial Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

**Q) Short-term debt:**

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

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

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

**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, termination benefits, compensated absences, net pension liability, and total other post employment benefits obligation that will be paid from governmental funds, are reported as a liability in the Fund 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 on the Statement of Net Position.

**S) Equity classifications:**

i) District-Wide Financial Statements:

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

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

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

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

ii) Fund Financial Statements:

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

(1) **Non-spendable fund balance** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of $19,786.

(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:

Workers' Compensation Reserve:

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

Unemployment Insurance Reserve:

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

Property Loss Reserve and Liability Reserve:

Property loss reserve and liability reserve (Education Law §1709(8)(c)) must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not exceed in total 3% of the annual budget or $15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve:

Retirement contribution reserve (GML §6-r) is 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 under restricted fund balance.

Employee Benefit Accrued Liability Reserve:

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the

employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Debt Service

The unexpended balances of proceeds of borrowings for capital projects, interest and earning from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.

Unspent bond proceeds

Unspent long-term bond 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 in the private purpose trust fund.

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

(4) **Assigned fund balance** – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. The District has established a Fund Balance policy that allows the Board of Education to set forth the fund balance that is assigned. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

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

subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Deficit Fund Balances

The capital projects fund has a deficit unassigned fund balance of $4,012,340. This will be eliminated when the District receives permanent financing of serial bonds.

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable 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, non-spendable 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 assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

**T) New accounting standards:**

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 17 for more information.

**U) Future changes in accounting standards:**

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended June 30, 2019, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

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

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

lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

Financial Statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

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

## NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

### A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted.

The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations for the year ending June 30, 2018.

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

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

### B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve

applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

## NOTE 4 –DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

### A) Cash:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2018 included $55,065,808 within the governmental funds for general reserve purposes, debt service and capital projects, and $3,710,339 within the fiduciary funds.

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 $17,160,398 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,567,580. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services James Hines Administration Center 201 Sunrise Highway Patchogue, NY 11772.

## NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2018 consisted of the following:

| | |
|---|---|
| General Fund | |
| General aid | $1,272,809 |
| Excess cost aid | 2,422,433 |
| BOCES aid | 2,567,580 |
| Medicaid reimbursement | 41,902 |
| Total | 6,304,724 |
| Special Aid Fund | |
| Federal aid receivable | 943,637 |
| State aid receivable | 4,857,383 |
| Total | 5,801,020 |
| School Lunch Fund | |
| Lunch - federal aid | 91,039 |
| Lunch - state aid | 3,222 |
| Breakfast - federal aid | 21,794 |
| Breakfast - state aid | 1,059 |
| Total | 117,114 |
| Total State and federal aid receivable | $12,222,858 |

District management has deemed these 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 | |
| Suffolk County special education reimbursement | $ 155,038 |
| Interest on real property taxes | 6,454 |
| Total general fund | 161,492 |
| Governmental Activities | |
| Due from library-library bond | 1,705,000 |
| Total Due From Other Governments | $ 1,866,492 |

District management has deemed these amounts to be fully collectible.

## NOTE 8 - CAPITAL ASSETS:

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

| | Beginning Balance | Additions | Retirements / Reclassifications | Ending Balance |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | $ 4,328,276 | $ - | $ - | $ 4,328,276 |
| Construction in progress | 27,262,154 | 32,725,343 | | 59,987,497 |
| Total capital assets that are not depreciated | 31,590,430 | 32,725,343 | - | 64,315,773 |
| Capital assets that are depreciated: | | | | |
| Building & building improvements | 151,558,785 | 14,618 | | 151,573,403 |
| Furniture & equipment | 10,184,936 | 107,695 | (25,979) | 10,266,652 |
| Land improvement | 3,455,554 | | | 3,455,554 |
| Vehicles | 9,587,647 | 1,392,888 | (1,608,427) | 9,372,108 |
| Total capital assets that are depreciated | 174,786,922 | 1,515,201 | (1,634,406) | 174,667,717 |
| Less accumulated depreciation: | | | | |
| Building & building improvements | 75,136,847 | 5,378,448 | | 80,515,295 |
| Furniture & equipment | 6,094,235 | 676,137 | (20,690) | 6,749,682 |
| Land improvement | 2,795,305 | 121,330 | | 2,916,635 |
| Vehicles | 6,324,200 | 490,028 | (1,216,635) | 5,597,593 |
| Total accumulated depreciation | 90,350,587 | 6,665,943 | (1,237,325) | 95,779,205 |
| Total capital assets being depreciated, net | 84,436,335 | (5,150,742) | (397,081) | 78,888,512 |
| Total capital assets, net | $ 116,026,765 | $ 27,574,601 | $ (397,081) | $ 143,204,285 |

The District sold and disposed of assets with a book value of $397,081 for sale proceeds of $150,000, resulting in a net loss on disposal of $247,081. Depreciation expense and the net loss on disposal were charged to governmental functions as follows:

| | |
|---|---|
| General support | $ 551,602 |
| Instruction | 5,562,520 |
| Transportation | 746,537 |
| Food service program | 52,365 |
| Total | $ 6,913,024 |

## NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

| | Interfund | | Interfund | |
|---|---|---|---|---|
| | Receivable | Payable | Revenues | Expenditures |
| General fund | $ 3,880,435 | | | $ 442,621 |
| Special aid fund | | $ 5,586,608 | $ 392,621 | |
| School lunch fund | 813,892 | | | |
| Debt service fund | 102,632 | | | |
| Capital projects fund | 2,455,973 | | 50,000 | |
| Total government activities | 7,252,932 | 5,586,608 | 442,621 | 442,621 |
| Fiduciary agency fund | | 1,673,557 | | |
| Private purpose fund | 7,233 | | | |
| Totals | $ 7,260,165 | $ 7,260,165 | $ 442,621 | $ 442,621 |

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 State Law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the capital projects fund to finance a capital project.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. It is expected that all interfund payables should be repaid within one year.

## NOTE 10 –COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2018 consisted of:

| | |
|---|---|
| School lunch fund | |
| Prepaid meals | $ 65,883 |
| Total Collections in Advance | $ 65,883 |

## NOTE 11 – DUE TO OTHER GOVERNMENTS:

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

| | |
|---|---|
| General fund | |
| Overpayment of state aid | $ 47,315 |
| School lunch fund | |
| Sales tax payable | 99 |
| Total due to other governments | $ 47,414 |

## NOTE 12 - SHORT-TERM DEBT:

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

| | Maturity | Interest Rate | Beginning Balance | Issued | Redeemed | Ending Balance |
|---|---|---|---|---|---|---|
| TAN | 6/27/2028 | 2.0000% | $ - | $ 38,500,000 | $ 38,500,000 | $ - |
| Total | | | $ - | $ 38,500,000 | $ 38,500,000 | $ - |

The TAN was issued to finance general fund operations.

Interest on short-term debt for the year was $667,333.

## 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 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Installment purchase debt payable | $ 59,591 | $ - | $ 28,009 | $ 31,582 | $ 24,013 |
| Energy performance contract payable | 9,823,924 | | 892,671 | 8,931,253 | 923,189 |
| Construction serial bonds | 71,190,000 | 47,000,000 | 5,575,000 | 112,615,000 | 10,010,000 |
| Other long-term liabilities: | | | | | |
| Claims payable | 3,914,231 | 1,180,388 | 1,287,920 | 3,806,699 | 1,200,000 |
| Termination benefits payable | 9,625,000 | 595,000 | 180,000 | 10,040,000 | 140,000 |
| Compensated absences payable | 17,432,612 | 2,174,919 | 1,006,942 | 18,600,589 | 1,200,000 |
| Total other postemployment benefits obligation* | 409,491,087 | 35,121,301 | 54,105,800 | 390,506,588 | |
| Net pension liability-proportionate share | 13,128,169 | | 10,779,429 | 2,348,740 | |
| Total long-term liabilities | $ 534,664,614 | $ 86,071,608 | $ 73,855,771 | $ 546,880,451 | $ 13,497,202 |

* Beginning balance as restated.

The general fund has typically been used to liquidate long-term liabilities such as installment purchase debt, energy performance contract, serial bonds, claims, termination benefits, total other postemployment benefits obligation, and net pension liability.

On August 15, 2017 $47,000,000 in general obligation bonds with an interest rate of 2.00% - 3.00% were issued to fund capital bond projects.

### A) Bonds Payable

Bonds payable is composed of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at Year End |
|---|---|---|---|---|
| Library bond | 3/5/2009 | 3/5/2020 | 2.00-5.00% | $1,705,000 |
| Construction serial bond | 4/21/2016 | 7/15/2028 | 1.00-5.00% | 7,405,000 |
| Construction serial bond | 3/5/2009 | 3/5/2020 | 2.00-5.00% | 3,175,000 |
| Construction serial bond | 3/20/2013 | 6/30/2027 | 2.00-4.00% | 21,930,000 |
| Construction serial bond | 8/24/2016 | 8/15/2033 | 2.00% | 31,400,000 |
| Construction serial bond | 8/15/2017 | 8/15/2033 | 2.00-3.00% | 47,000,000 |
| | | | | $112,615,000 |

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

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 10,010,000 | $ 3,573,487 | $ 13,583,487 |
| 2020 | 10,145,000 | 2,728,375 | 12,873,375 |
| 2021 | 7,805,000 | 2,384,475 | 10,189,475 |
| 2022 | 7,990,000 | 2,157,975 | 10,147,975 |
| 2023 | 8,125,000 | 1,933,500 | 10,058,500 |
| 2024-2028 | 40,305,000 | 6,167,500 | 46,472,500 |
| 2029-2033 | 28,235,000 | 1,764,313 | 29,999,313 |
| | $ 112,615,000 | $ 20,709,625 | $ 133,324,625 |

## B) Energy Performance Contract Payable

Energy performance contract payable is composed of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at Year End |
|---|---|---|---|---|
| Energy Performance Contract | 8/5/2011 | 10/15/2026 | 3.39% | $8,931,253 |

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

| Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 923,189 | $ 295,011 | $ 1,218,200 |
| 2020 | 954,750 | 263,450 | 1,218,200 |
| 2021 | 987,389 | 230,810 | 1,218,199 |
| 2022 | 1,021,147 | 197,053 | 1,218,200 |
| 2023 | 1,056,057 | 162,143 | 1,218,200 |
| 2024-2027 | 3,988,721 | 274,979 | 4,263,700 |
| | $ 8,931,253 | $ 1,423,446 | $ 10,354,699 |

## C) Installment Debt

Installment debt is composed of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at Year End |
|---|---|---|---|---|
| Copiers | Various | Various | N/A | $31,582 |

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

| June 30, | Principal | Total |
|---|---|---|
| 2019 | $ 24,013 | $ 24,013 |
| 2020 | 6,836 | 6,836 |
| 2021 | 733 | 733 |
| | $ 31,582 | $ 31,582 |

## D) Long-Term Interest

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

| | Total |
|---|---|
| Interest paid | $ 2,875,973 |
| Less interest accrued in the prior year | (1,156,824) |
| Plus interest accrued in the current year | 1,733,710 |
| Less amortization of gain on defeasance | (279,562) |
| Total expense | $ 3,173,297 |

**Unissued Debt**

As of June 30, 2018 the District has authorized indebtedness in the amount of $125,158,351 to undertake a district wide facilities improvement and bus and equipment acquisition project. Serial bonds were issued on August 24, 2016 in the amount of $ 32,000,000, and on August 15, 2017 in the amount of $47,000,000, leaving authorized but unissued debt in the amount of $46,158,351 at June 30, 2018.

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

The gain on defeasance pertaining to the 2009, 2013 and 2016 bond refundings recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2018 consisted of the following:

| | |
|---|---|
| 2009 Bond refunding | |
| Bond premium, net of amortization | $ (121,043) |
| 2013 Bond refunding | |
| Bond premium | (2,265,922) |
| Deferred charges on refunding | 1,633,808 |
| Total gain on defeasance -2013, net of amortization | (632,114) |
| 2016 Bond refunding | |
| Bond premium | (1,194,155) |
| Deferred charges on refunding | 383,512 |
| Total gain on defeasance -2016, net of amortization | (810,643) |
| Total gain on defeasance, net of amortization | $ (1,563,800) |

The gain on defeasance on the advanced refunding is being amortized, as a reduction of interest expense on the District-Wide Financial Statements using the straight-line method over 11 years, 15 years, and 14 years for the 2009, 2013 and 2016 bond refunding, respectively, the time to maturity of the refunded bonds, at the point of refunding.

## NOTE 15 – PENSION PLANS:

### A) Plan description and benefits provided:

#### i) Teachers' Retirement System

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

Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

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

| | NYSERS | NYSTRS |
|---|---|---|
| 2018 | $ 3,031,707 | $ 9,437,216 |
| 2017 | $ 2,966,365 | $ 10,894,707 |
| 2016 | $ 3,408,900 | $ 12,091,668 |

**C) Pension assets, liabilities, pension expense, and deferred outflows and 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 |
| Net pension liability | ($2,348,740) | $4,458,813 |
| District's portion of the Plan's total net pension liability | 0.0727740% | 0.586609% |
| Change in proportion since prior measurement date | 0.0004164% | (0.004338%) |

For the year ended June 30, 2018, the District recognized pension expense of $3,029,960 for ERS and a pension expense of $11,164,891 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | | Deferred Inflow of Resources | |
|---|---|---|---|---|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience | $837,719 | $3,668,508 | $692,260 | $1,738,440 |
| Net difference between projected and actual earnings on pension plan investments | 3,411,359 | | 6,733,680 | 10,501,795 |
| Changes of assumptions | 1,557,409 | 45,369,292 | | |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 457,906 | 264,236 | 2,696 | 677,905 |
| District's contributions subsequent to the measurement date | 1,030,387 | 9,437,216 | | |
| | $7,294,780 | $58,739,252 | $7,428,636 | $12,918,140 |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

| | ERS | TRS |
|---|---|---|
| Plan Year ended: | | |
| 2018 | | $ 986,725 |
| 2019 | $ 693,248 | 11,958,229 |
| 2020 | 537,989 | 8,544,674 |
| 2021 | (1,641,947) | 2,087,311 |
| 2022 | (753,533) | 8,519,683 |
| Thereafter | | 4,287,274 |
| | $ (1,164,243) | $ 36,383,896 |

Actuarial Assumptions

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

| | ERS | TRS |
|---|---|---|
| Measurement date | March 31, 2018 | June 30, 2017 |
| Actuarial valuation date | April 1, 2017 | June 30, 2016 |
| Interest rate | 7.0% | 7.25% |
| Salary scale | 3.80% | 4.72% - 1.90% |
| Cost of living adjustments | 1.3% annually | 1.5%, annually |
| Decrement tables | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2009 - June 30, 2014 System's Experience |
| Inflation rate | 2.50% | 2.50% |

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

For ERS, the actuarial assumptions used in the April 1, 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 in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

| | ERS | | TRS | |
|---|---|---|---|---|
| Valuation Date | April 1, 2017 | | June 30, 2016 | |
| Asset type | Target Allocation | Long-term expected real rate of return | Target Allocation | Long-term expected real rate of return |
| Domestic equity | 36% | 4.55% | 35% | 5.9% |
| International equity | 14% | 6.35% | 18% | 7.4% |
| Private equity | 10% | 7.50% | 8% | 9.0% |
| Real estate | 10% | 5.55% | 11% | 4.3% |
| Absolute return strategies | 2% | 3.75% | | |
| Opportunistic portfolio | 3% | 5.68% | | |
| Real assets | 3% | 5.29% | | |
| Bonds and mortgages | 17% | 1.31% | | |
| Cash | 1% | -0.25% | | |
| Inflation-indexed bonds | 4% | 1.25% | | |
| Domestic fixed income securities | | | 16% | 1.6% |
| Global fixed income securities | | | 2% | 1.3% |
| High-yield fixed income securities | | | 1% | 3.9% |
| Mortgages | | | 8% | 2.8% |
| Short-term | | | 1% | 0.6% |
| | 100% | | 100% | |

Discount Rate

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

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

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

| ERS | 1% Decrease (6%) | Current Assumption (7%) | 1% Increase (8%) |
|---|---|---|---|
| District's proportionate share of the net pension asset (liability) | ($17,771,199) | ($2,348,740) | $10,698,044 |

| TRS | 1% Decrease (6.25%) | Current Assumption (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension asset (liability) | ($76,812,145) | $4,458,813 | $72,519,207 |

Pension Plan Fiduciary Net Position

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

| | (Dollars in Thousands) | |
|---|---|---|
| | ERS | TRS |
| Valuation date | April 1, 2017 | June 30, 2016 |
| 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 $1,030,387.

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 intercept, with a balance to be paid by the District, if necessary. 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 $9,882,988.

## NOTE 16 – OTHER RETIREMENT PLANS:

### A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018 totaled $1,022,338 and $4,821,306 respectively.

### B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for some employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled $52,235.

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

### A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and all active employees and retirees are covered by either the Empire Plan or Emblem HMO. A small number of retirees also receive dental and life insurance benefits. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 55% and 100% of premiums for retirees, between 35% and 100% of the excess premiums for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2018, the District contributed an estimated $13,220,032 to the Plan, including

$13,220,032 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

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

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 1,191 |
| Inactive employees entitled to but not yet receiving benefit payments | 7 |
| Active employees | 1,031 |
| | 2,229 |

**B) Total OPEB Liability:**

The District's total OPEB liability of $390,506,588 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the 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 | 2.50% |
| Discount rate | 3.87% |
| Healthcare cost trend rates | 9.00% for 2018, decreasing 0.5% per year to an ultimate rate of 4.50% for 2027, and later years |
| Retirees' share of benefit-related costs | 0% - 50% of projected health insurance premiums for retirees, 0% - 65% for excess family premiums, and 100% for surviving spouse |

The discount rate was based on the Bond Buyer Go 20- Bond Municipal Bond Index.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational, using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2017 using MP-2017 improvement).

Some assumptions used in this valuation are based on NYSTRS and NYSERS valuation assumptions and as they are updated, those updates will be reflected in this valuation as well.

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

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2017 | $ 409,491,087 |
| Changes for the fiscal year: | |
| Service cost | 14,477,166 |
| Interest | 14,943,506 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (40,885,768) |
| Changes in assumptions or other inputs | 5,700,629 |
| Benefit payments | (13,220,032) |
| Net changes | (18,984,499) |
| Balance at June 30, 2018 | $ 390,506,588 |

Significant plan changes since the last valuation include the addition of a retirement incentive for teacher assistants with at least ten years of service with the District who retire under NYSTRS with no penalty when first eligible, in which the District will contribute 100% of the individual premium and 50% of the excess premium for eligible retirees. For teachers with at least ten years of service with the District who retire under NYSTRS with no penalty when first eligible, the District will contribute 100% of the individual and excess premium for eligible retirees.

Changes of assumptions or other inputs includes an increase in the discount rate from 3.58% at the June 30, 2017 measurement date to 3.87% at the June 30, 2018 measurement date.

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 | $455,494,085 | $390,506,588 | $338,435,745 |

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 (8.00%) or 1-percentage-point higher (10.00%) than the current healthcare cost trend rates:

| | 1% Decrease (8.00% decreasing to 3.50%) | Healthcare Cost Trend Rates (9.00% decreasing to 4.50%) | 1% Increase (10.00% decreasing to 5.50%) |
|---|---|---|---|
| Total OPEB liability | $329,947,613 | $390,506,588 | $468,764,915 |

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense (credit) of $24,394,224. 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 | $ - | $ (35,044,944) |
| Changes of assumptions or other inputs | 4,886,253 | - |
| | $ 4,886,253 | $ (35,044,944) |

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

| Fiscal Year ended June 30: | |
|---|---|
| 2019 | $ (5,026,448) |
| 2020 | (5,026,448) |
| 2021 | (5,026,448) |
| 2022 | (5,026,448) |
| 2023 | (5,026,448) |
| Thereafter | (5,026,451) |
| | $ (30,158,691) |

## E) RESTATEMENT OF NET POSITION:

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 GASB Statement No. 75 resulted in the reporting of the total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

| | |
|---|---|
| Net position (deficit) beginning of year, as previously stated | ($59,558,198) |
| Removal of beginning net OPEB liability | 161,712,278 |
| Addition of beginning total OPEB liability | (409,491,087) |
| Net position beginning of year, as restated | ($307,337,007) |

## NOTE 18 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers through their employment contracts and to unaffiliated staff through a Board of Education policy. In general, for teachers and certain administrators, a retirement incentive of $15,000 is available to those who have been in the employ of the District for at least ten years and who retire on the July 1st following his/her 55th birthday. For other administrators, a retirement incentive of $15,000 is available to those who retire from the District and the New York State Teachers Retirement System and who have been in the employ of the District in the capacity as an administrator for at least five years. Unaffiliated staff employed by the District for at least five years are entitled to a $10,000 retirement incentive. The current value of incentive payments earned for approximately 675 employees is $10,040,000 and is recorded as a long-term liability on the Statement of Net Position.

## NOTE 19 – RISK MANAGEMENT:

### A) General:

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

### B) Risk Retention:

The District participated in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage through June 30, 2018. 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. As of June 30, 2018, the District has reserves for property loss and liability totaling $1,235,484.

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for unpaid claims which were incurred on or before year but not reported (IBNR). As of June 30, 2018, the District has recorded potential workers' compensation claims of $3,806,699 and has a workers' compensation reserve balance of $5,653,427.

Claims activity for the current and preceding year is summarized below.

| | 2018 | 2017 |
|---|---|---|
| Unpaid claims at beginning of year | $ 3,914,231 | $ 4,130,397 |
| Incurred claims and claim adjustment expenses | 1,180,388 | 1,432,142 |
| Claims payments | (1,287,920) | (1,648,308) |
| Unpaid claims at year end | $ 3,806,699 | $ 3,914,231 |

## NOTE 20 - TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by $620,768 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $156,592 for these programs during the fiscal year.

## NOTE 21 – COMMITMENTS AND CONTINGENCIES:

### A) Encumbered:

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

| | |
|---|---|
| General Fund | |
| General Support | $192,515 |
| Instructional | 571,663 |
| Transportation | 21,522 |
| Employee benefits | 4,358 |
| | $790,058 |
| School Lunch Fund | |
| School lunch | $35,446 |
| Capital Projects Fund | |
| Capital projects | $31,814,834 |

### B) Grants:

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

### C) Litigation:

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

## NOTE 22 – SUBSEQUENT EVENTS:

The District issued $38,500,000 in tax anticipation notes on August 30, 2018, maturing on June 25, 2019 with an interest rate of 3.0%.

# SUPPLEMENTARY INFORMATION

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**
**BUDGET AND ACTUAL- GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Final Budget Variance with Budgetary Actual |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local sources | | | | |
| Real property taxes | $117,319,472 | $117,319,472 | $117,694,213 | $374,741 |
| Other real property tax items | 18,521,828 | 18,521,828 | 18,304,139 | (217,689) |
| Charges for services | 1,276,000 | 1,276,000 | 1,232,941 | (43,059) |
| Use of money & property | 180,000 | 180,000 | 673,537 | 493,537 |
| Sale of property & compensation for loss | 235,000 | 235,000 | 1,282,215 | 1,047,215 |
| Miscellaneous | 1,137,413 | 1,137,413 | 777,223 | (360,190) |
| State sources | | | | |
| Basic formula | 77,005,836 | 60,442,988 | 56,824,882 | (3,618,106) |
| Excess cost aid | | 16,562,848 | 16,562,848 | - |
| Lottery aid | 12,841,922 | 12,841,922 | 12,998,416 | 156,494 |
| BOCES aid | 2,347,862 | 2,347,862 | 2,567,580 | 219,718 |
| Tuition aid | | | 58,577 | 58,577 |
| Textbook aid | 583,844 | 583,844 | 577,607 | (6,237) |
| Computer software aid | 286,033 | 286,033 | 286,399 | 366 |
| Library A/V loan program aid | 56,691 | 56,691 | 56,496 | (195) |
| Other state aid | | | 191,580 | 191,580 |
| Federal sources | 215,000 | 215,000 | 173,396 | (41,604) |
| **TOTAL REVENUES** | 232,006,901 | 232,006,901 | 230,262,049 | (1,744,852) |
| Other financing sources | | | | |
| Premium on obligations -TAN | | | 317,243 | 317,243 |
| **TOTAL REVENUE AND OTHER SOURCES** | 232,006,901 | 232,006,901 | $230,579,292 | ($1,427,609) |
| Appropriated fund balance | 2,400,000 | 2,400,000 | | |
| Appropriated reserves | 10,016,894 | 10,016,894 | | |
| **TOTAL REVENUES & APPROPRIATED FUND BALANCE** | $244,423,795 | $244,423,795 | | |

**Note to Required Supplementary Information**

Budget Basis of Accounting
Budgets are adopted on the modified accrual basis of accounting consistent


See paragraph on Supplementary Schedule Included in Auditor's Report

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**
**BUDGET AND ACTUAL- GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Year-End Encumbrances | Final Budget Variance with Budgetary Actual and Encumbrances |
|---|---|---|---|---|---|
| **EXPENDITURES** | | | | | |
| General support | | | | | |
| Board of education | $113,696 | $125,553 | $102,828 | | $22,725 |
| Central administration | 411,126 | 438,862 | 433,464 | | 5,398 |
| Finance | 1,871,975 | 1,866,078 | 1,704,187 | $25,906 | 135,985 |
| Staff | 2,788,836 | 2,846,727 | 1,770,516 | 40,494 | 1,035,717 |
| Central services | 16,140,898 | 17,081,375 | 15,720,627 | 126,115 | 1,234,633 |
| Special items | 2,816,236 | 2,816,386 | 2,334,304 | | 482,082 |
| Instructional | | | | | |
| Instruction, adm. & imp. | 6,920,542 | 7,054,450 | 6,669,806 | 13,663 | 370,981 |
| Teaching - regular school | 70,647,128 | 70,312,623 | 68,781,987 | 43,328 | 1,487,308 |
| Programs for children with handicapping conditions | 36,441,550 | 35,795,877 | 29,613,503 | 496,922 | 5,685,452 |
| Occupational education | 4,712,511 | 4,564,870 | 3,824,576 | 98 | 740,196 |
| Teaching special schools | 475,442 | 492,442 | 411,296 | | 81,146 |
| Instructional media | 4,012,734 | 4,073,278 | 3,301,539 | 4,824 | 766,915 |
| Pupil services | 8,168,747 | 8,230,900 | 7,951,717 | 12,828 | 266,355 |
| Pupil transportation | 16,632,338 | 16,454,338 | 14,227,374 | 21,522 | 2,205,442 |
| Employee benefits | 61,391,745 | 61,391,745 | 57,652,767 | 4,358 | 3,734,620 |
| Debt service | | | | | |
| Debt service principal | 6,467,671 | 6,467,671 | 6,467,671 | | - |
| Debt service interest | 3,952,973 | 3,952,973 | 3,543,306 | | 409,667 |
| **TOTAL EXPENDITURES** | 243,966,148 | 243,966,148 | 224,511,468 | 790,058 | 18,664,622 |
| Other financing uses | | | | | |
| Transfers to other funds | 457,647 | 457,647 | 442,621 | | 15,026 |
| **TOTAL EXPENDITURES AND OTHER USES** | $244,423,795 | $244,423,795 | 224,954,089 | $790,058 | $18,679,648 |
| **NET CHANGE IN FUND BALANCES** | | | 5,625,203 | | |
| **FUND BALANCES - BEGINNING OF YEAR** | | | 44,664,920 | | |
| **FUND BALANCES - END OF YEAR** | | | $50,290,123 | | |

**Note to Required Supplementary Information**

Budget Basis of Accounting

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



See paragraph on Supplementary Schedule Included in Auditor's Report

# MIDDLE COUNTRY CENTRAL 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 | $14,477,166 |
| Interest | 14,943,506 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (40,885,768) |
| Changes of assumptions or other inputs | 5,700,629 |
| Benefit payments | (13,220,032) |
| **Net change in total OPEB liability** | (18,984,499) |
| **Total OPEB liability - beginning** | 409,491,087 |
| **Total OPEB liability - ending** | $390,506,588 |
| **Covered-employee payroll** | $118,447,436 |
| **Total OPEB liability as a percentage of covered-employee payroll** | 329.69% |

**Notes to Schedule:**

*Trust Assets*

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

*Changes of Benefit Terms*

Amounts presented reflect the addition of a retirement incentive for teacher assistants with at least ten years of service with the District who retire under NYSTRS with no penalty when first eligible, in which the District will contribute 100% of the individual premium and 50% of the excess premium for eligible retirees, and the addition of a retirement incentive for teachers with at least ten years of service with the District who retire under NYSTRS with no penalty when first eligible, the District will contribute 100% of the individual and excess premiums for eligible retirees.

*Changes of Assumptions*

Changes of assumptions or other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|---|---|
| 2018 | 3.87% |
| 2017 | 3.58% |

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

**NYSERS Pension Plan**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension (liability) | 0.0727740% | 0.0723576% | 0.0724680% | 0.0702476% | 0.0702476% |
| District's proportionate share of the net pension (liability) | ($2,348,740) | ($6,798,881) | ($11,631,318) | ($2,373,137) | ($3,174,392) |
| District's covered payroll | $22,546,913 | $20,853,069 | $20,258,173 | $20,610,016 | $19,402,005 |
| District's proportionate share of the net pension (liability) as a percentage of its covered -employee payroll | 10.42% | 32.60% | 57.42% | 11.51% | 16.36% |
| Plan fiduciary net position as a percentage of the total pension (liability) | 98.24% | 94.70% | 90.68% | 97.95% | 97.20% |

**NYSTRS Pension Plan**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension (liability) / asset | 0.586609% | 0.590947% | 0.588572% | 0.568047% | 54.914400% |
| District's proportionate share of the net pension (liability) / asset | $4,458,813 | ($6,329,288) | $61,133,877 | $63,276,929 | $3,614,762 |
| District's covered payroll | $93,524,270 | $91,705,091 | $89,868,630 | $84,779,765 | $81,727,453 |
| District's proportionate share of the net pension (liability) / asset as a percentage of its covered -employee payroll | 4.77% | 6.90% | 68.03% | 74.64% | 4.42% |
| Plan fiduciary net position as a percentage of the total pension asset | 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 Schedule Included in Auditor's Report

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF DISTRICT'S CONTRIBUTIONS
## FOR THE FISCAL YEARS ENDED JUNE 30,

**NYSERS Pension Plan**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 3,031,707 | $ 2,966,365 | $ 3,408,900 | $ 3,685,597 | $ 3,585,625 | $ 3,685,462 | $ 3,018,004 | $ 1,963,606 | $ 1,386,435 | $ 1,231,730 |
| Contributions in relation to the contractually required contribution | 3,031,707 | 2,966,365 | 3,408,900 | 3,685,597 | 3,585,625 | 3,685,462 | 3,018,004 | 1,963,606 | 1,386,435 | 1,231,730 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered employee payroll | $ 22,834,793 | $ 21,281,289 | $ 20,492,506 | $ 20,868,392 | $ 19,659,888 | $ 19,225,854 | $ 19,188,111 | $ 19,333,327 | $ 18,802,942 | $ 18,526,506 |
| Contributions as a percentage of covered employee payroll | 13.28% | 13.94% | 16.63% | 17.66% | 18.24% | 19.17% | 15.73% | 10.16% | 7.37% | 6.65% |

**NYSTRS Pension Plan**

| | | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 9,437,216 | $ 10,894,707 | $ 12,091,668 | $ 15,498,537 | $ 13,635,283 | $ 9,523,829 | $ 9,034,941 | $ 7,222,483 | $ 5,091,994 | $ 6,014,135 |
| Contributions in relation to the contractually required contribution | 9,437,216 | 10,894,707 | 12,091,668 | 15,498,537 | 13,635,283 | 9,523,829 | 9,034,941 | 7,222,483 | 5,091,994 | 6,014,135 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered employee payroll | $ 97,000,252 | $ 93,524,270 | $ 91,705,091 | $ 89,868,630 | $ 84,779,765 | $ 81,727,453 | $ 82,508,215 | $ 85,615,787 | $ 83,680,783 | $ 79,502,664 |
| Contributions as a percentage of covered employee payroll | 9.73% | 11.65% | 13.19% | 17.25% | 16.08% | 11.65% | 10.95% | 8.44% | 6.09% | 7.56% |



See Paragraph on Supplementary Schedules Included in Auditor's Report

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | |
|---|---|
| Adopted budget | $243,590,487 |
| Add: prior year's encumbrances | 833,308 |
| Original budget | 244,423,795 |
| Budget revision: | - |
| Final budget | $244,423,795 |

### SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | |
|---|---|---|
| 2018 - 2019 voter-approved expenditure budget | | $250,124,601 |
| Maximum allowed (4% of 2018-19 budget) | | $10,004,984 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | | |
| Unrestricted fund balance: | | |
| Assigned fund balance | $3,190,058 | |
| Unassigned fund balance | 10,003,583 | |
| Total unrestricted fund balance | | $13,193,641 |
| Less: | | |
| Appropriated fund balance | $2,400,000 | |
| Encumbrances included in assigned fund balance | 790,058 | |
| Total adjustments | | 3,190,058 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | | $10,003,583 |
| Actual percentage | | 4.00% |



See Paragraph on Supplementary Schedules Included in Auditor's Report

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
### JUNE 30, 2018

| Project Title | Proj. # | Original Appropriation | Revised Appropriation | Expenditures to Date: Prior Year's | Expenditures to Date: Current Year | Expenditures to Date: Total | Unexpended Balance | Methods of Financing: Proceeds of Obligations | Methods of Financing: State and Federal Aid | Methods of Financing: Local Sources | Methods of Financing: Total | Fund Balance June 30, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 Bond Project | | | | | | | | | | | | |
| District Wide Bond Project | ** | $ 2,179,131 | $ 2,279,167 | $ 31,998 | $ 78 | $ 32,076 | $ 2,247,091 | $ 32,076 | $ - | $ - | $ 32,076 | $ - |
| District Wide Doors | 7999008 | 5,109,809 | 5,134,664 | 823,616 | 2,121,444 | 2,945,060 | 2,189,604 | 2,945,060 | | | 2,945,060 | - |
| District Wide Security Project | 7999007 | 2,019,333 | 732,698 | 34,163 | 33,871 | 68,034 | 664,664 | 68,034 | | | 68,034 | - |
| District Wide Network Equipment | ** | 797,300 | 793,288 | 793,288 | | 793,288 | - | 793,288 | | | 793,288 | - |
| District Wide Phone Project | 7999010 | 677,000 | 1,000 | | | - | 1,000 | | | | - | - |
| Dawnwood MS Roof/Renov | 0008021 | 9,204,561 | 4,343,892 | 2,390,644 | 1,493,522 | 3,884,166 | 459,726 | 3,884,166 | | | 3,884,166 | - |
| Selden MS Roof/Renovations | 0010017 | 2,802,948 | 2,798,659 | 2,703,550 | 17,105 | 2,720,655 | 78,004 | 2,720,655 | | | 2,720,655 | - |
| NHS Roof/Track Resurface | 0006021 | 4,466,303 | 4,526,850 | 4,091,896 | 1,071 | 4,092,967 | 433,883 | 4,092,967 | | | 4,092,967 | - |
| CHS Roof/Track Resurface | 0015019 | 3,431,136 | 3,477,739 | 3,377,490 | (259) | 3,377,231 | 100,508 | 3,377,231 | | | 3,377,231 | - |
| New Lane Cafe/Library/Renov | 0016014 | 674,162 | 982,149 | 773,590 | 30,102 | 803,692 | 178,457 | 803,692 | | | 803,692 | - |
| Holbrook Gym Floor Replacement | ** | 95,000 | 91,119 | 91,119 | | 91,119 | - | 91,119 | | | 91,119 | - |
| BPS Vestibule | 0005012 | 52,458 | 39,482 | 39,482 | | 39,482 | - | 39,482 | | | 39,482 | - |
| BPS Windows | 0005013 | 796,605 | 750,188 | 663,535 | 12,855 | 676,390 | 73,798 | 676,390 | | | 676,390 | - |
| BPS Building Renovation # 1 | 0005014 | 149,000 | 713,088 | 47,872 | 410,318 | 458,190 | 254,898 | 458,190 | | | 458,190 | - |
| Auer Vestibule | 0013013 | 62,498 | 55,565 | 55,258 | | 55,258 | 307 | 55,258 | | | 55,258 | - |
| Auer Windows | 0013014 | 1,059,175 | 996,208 | 891,215 | 29,790 | 921,005 | 75,203 | 921,005 | | | 921,005 | - |
| Auer Building Renovation # 1 | 0013015 | 172,000 | 1,211,671 | 76,279 | 697,689 | 773,968 | 437,703 | 773,968 | | | 773,968 | - |
| Hawkins Vestibule | 0009010 | 80,998 | 55,249 | 55,249 | | 55,249 | - | 55,249 | | | 55,249 | - |
| Hawkins Windows | 0009011 | 1,319,224 | 1,294,603 | 1,123,471 | 25,907 | 1,149,378 | 145,225 | 1,149,378 | | | 1,149,378 | - |
| Hawkins Building Renovation # 1 | 0009012 | 202,141 | 1,413,569 | 113,638 | 757,817 | 871,455 | 542,114 | 871,455 | | | 871,455 | - |
| Holbrook Vestibule | 0002017 | 64,700 | 59,928 | 50,728 | 3,546 | 54,274 | 5,654 | 54,274 | | | 54,274 | - |
| Holbrook Windows | 0002016 | 1,089,686 | 1,204,704 | 122,857 | 714,137 | 836,994 | 367,710 | 836,994 | | | 836,994 | - |
| Holbrook Building Renovation # 1 | 0002015 | 130,455 | 1,123,262 | 73,806 | 588,698 | 662,504 | 460,758 | 662,504 | | | 662,504 | - |
| North Coleman Vestibule | 0011014 | 74,498 | 67,977 | 67,670 | | 67,670 | 307 | 67,670 | | | 67,670 | - |
| North Coleman Windows | 0011015 | 1,206,685 | 948,656 | 206,440 | 577,581 | 784,021 | 164,635 | 784,021 | | | 784,021 | - |
| North Coleman Building Renovation # 1 | 0011016 | 139,695 | 1,332,057 | 114,565 | 546,840 | 661,405 | 670,652 | 661,405 | | | 661,405 | - |
| Oxhead Vestibule | 0001018 | 89,498 | 66,271 | 65,069 | | 65,069 | 1,202 | 65,069 | | | 65,069 | - |
| Oxhead Windows | 0001019 | 1,219,686 | 1,603,246 | 224,869 | 823,368 | 1,048,237 | 555,009 | 1,048,237 | | | 1,048,237 | - |
| Oxhead Building Renovation # 1 | 0001021 | 204,000 | 1,472,464 | 114,931 | 799,436 | 914,367 | 558,097 | 914,367 | | | 914,367 | - |
| Oxhead Boiler | 0001020 | 188,000 | 766,161 | 504,209 | 139,759 | 643,968 | 122,193 | 643,968 | | | 643,968 | - |
| Unity Vestibule | 0003013 | 84,498 | 69,487 | 65,921 | | 65,921 | 3,566 | 65,921 | | | 65,921 | - |
| Unity Windows | 0003014 | 1,387,205 | 1,584,355 | 1,079,962 | 212,495 | 1,292,457 | 291,898 | 1,242,457 | | 50,000 | 1,292,457 | - |
| Unity Building Renovation # 1 | 0003015 | 246,500 | 1,236,865 | 134,611 | 999,141 | 1,133,752 | 103,113 | 1,133,752 | | | 1,133,752 | - |
| Stagecoach Vestibule | 0012013 | 63,000 | 50,968 | 36,027 | | 36,027 | 14,941 | 36,027 | | | 36,027 | - |
| Stagecoach Windows | 0012012 | 1,219,686 | 1,457,296 | 217,563 | 1,111,466 | 1,329,029 | 128,267 | 1,329,029 | | | 1,329,029 | - |
| Stagecoach Building Renovation # 1 | 0012011 | 155,423 | 820,517 | 76,400 | 343,752 | 420,152 | 400,365 | 420,152 | | | 420,152 | - |
| Jericho Vestibule | 0014013 | 68,000 | 60,487 | 38,514 | 11,535 | 50,049 | 10,438 | 50,049 | | | 50,049 | - |
| Jericho Windows | 0014012 | 1,101,685 | 1,046,107 | 194,845 | 721,478 | 916,323 | 129,784 | 916,323 | | | 916,323 | - |
| Jericho Building Renovation # 1 | 0014011 | 163,055 | 1,073,255 | 120,852 | 596,145 | 716,997 | 356,258 | 716,997 | | | 716,997 | - |
| New Lane Vestibule | 0016017 | 141,500 | 147,509 | 96,077 | 15,133 | 111,210 | 36,299 | 111,210 | | | 111,210 | - |
| New Lane Windows | 0016016 | 1,697,076 | 1,873,206 | 208,085 | 1,526,024 | 1,734,109 | 139,097 | 1,734,109 | | | 1,734,109 | - |
| New Lane Building Renovation #1 | 0016019 | 167,500 | 1,438,117 | 22,128 | 63,571 | 85,699 | 1,352,418 | 85,699 | | | 85,699 | - |
| New Lane Boiler | 0016015 | 105,950 | 463,050 | 134,236 | 305,493 | 439,729 | 23,321 | 439,729 | | | 439,729 | - |
| New Lane Generator | 0016018 | 333,000 | 343,000 | 5,971 | 5,799 | 11,770 | 331,230 | 11,770 | | | 11,770 | - |
| Dawnwood MS Vestibule | 0008018 | 97,000 | 100,850 | 55,851 | 11,258 | 67,109 | 33,741 | 67,109 | | | 67,109 | - |
| Dawnwood MS Windows | 0008022 | 2,632,685 | 2,349,684 | 41,500 | 43,304 | 84,804 | 2,264,880 | 84,804 | | | 84,804 | - |
| Dawnwood MS Building Renovation # 1 | 0008020 | 413,300 | 5,245,552 | 221,841 | 273,009 | 494,850 | 4,750,702 | 494,850 | | | 494,850 | - |
| Subtotal carried forward | | $ 49,834,788 | $ 59,695,879 | $ 22,472,881 | $ 16,064,278 | $ 38,537,159 | $ 21,158,720 | $ 38,487,159 | $ - | $ 50,000 | $ 38,537,159 | $ - |



See Paragraph on Supplementary Schedules included in Auditor's Report

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2018

| Project Title | Proj. # | Original Appropriation | Revised Appropriation | Expenditures to Date: Prior Year's | Expenditures to Date: Current Year | Expenditures to Date: Total | Unexpended Balance | Methods of Financing: Proceeds of Obligations | Methods of Financing: State and Federal Aid | Methods of Financing: Local Sources | Methods of Financing: Total | Fund Balance June 30, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Subtotal brought forward | | $ 49,834,788 | $ 59,695,879 | $ 22,472,881 | $ 16,064,278 | $ 38,537,159 | $ 21,158,720 | $ 38,487,159 | $ - | $ 50,000 | $ 38,537,159 | $ - |
| Selden MS Vestibule | 0010018 | 107,000 | 99,750 | 64,228 | 10,137 | 74,365 | 25,385 | 74,365 | | | 74,365 | - |
| Selden MS Windows | 0010022 | 2,415,685 | 2,526,685 | 41,600 | 41,124 | 82,724 | 2,443,961 | 82,724 | | | 82,724 | - |
| Selden MS Building Renovation #1 | 0010021 | 631,170 | 2,801,405 | 374,268 | 2,227,438 | 2,601,706 | 199,699 | 2,601,706 | | | 2,601,706 | - |
| Selden MS Building Renovation #2 | 0010023 | 3,605,920 | 3,706,740 | | 127,799 | 127,799 | 3,578,941 | 127,799 | | | 127,799 | - |
| Selden Boiler | 0010020 | 195,425 | 1,105,138 | 423,145 | 299,438 | 722,583 | 382,555 | 722,583 | | | 722,583 | - |
| Newfield HS Vestibule | 0006022 | 97,000 | 85,070 | 49,648 | 12,159 | 61,807 | 23,263 | 61,807 | | | 61,807 | - |
| Newfield HS Windows | 0006026 | 3,826,185 | 3,681,185 | 42,451 | 50,779 | 93,230 | 3,587,955 | 3,681,185 | | | 3,681,185 | 3,587,955 |
| Newfield HS Building Renovation # 1 | 0006027 | 414,500 | 9,219,473 | 206,726 | 363,580 | 570,306 | 8,649,167 | 9,219,473 | | | 9,219,473 | 8,649,167 |
| Newfield HS New Gym | 0006024 | 6,542,645 | 10,377,208 | 1,099,517 | 6,713,619 | 7,813,136 | 2,564,072 | 10,377,208 | | | 10,377,208 | 2,564,072 |
| Newfield HS Wheelchair Lift | ** | 146,000 | 134,000 | 119,531 | 14,469 | 134,000 | - | 134,000 | | | 134,000 | - |
| Newfield HS Generator | 0006025 | 333,000 | 344,600 | 6,265 | 7,180 | 13,445 | 331,155 | 13,445 | | | 13,445 | - |
| Centereach HS Vestibule | 0015020 | 97,000 | 87,745 | 77,764 | 7,789 | 85,553 | 2,192 | 87,745 | | | 87,745 | 2,192 |
| Centereach HS Windows | 0015025 | 3,829,185 | 3,640,185 | 41,277 | 55,249 | 96,526 | 3,543,659 | 96,526 | | | 96,526 | - |
| Centereach HS Building Renovation # 1 | 0015026 | 360,500 | 6,966,016 | 188,617 | 231,770 | 420,387 | 6,545,629 | 652,166 | | | 652,166 | 231,779 |
| Centereach HS New Gym | 0015023 | 7,986,568 | 12,102,387 | 1,725,176 | 6,424,220 | 8,149,396 | 3,952,991 | 12,107,418 | | | 12,107,418 | 3,958,022 |
| Centereach HS Roof 2 | 0015022 | 490,500 | 457,913 | 457,913 | | 457,913 | - | 457,913 | | | 457,913 | - |
| Centereach HS Generator | 0015024 | 333,000 | 345,000 | 7,971 | 6,807 | 14,778 | 330,222 | 14,778 | | | 14,778 | - |
| Buses | ** | 5,280,000 | 5,280,000 | 2,461,797 | 1,277,492 | 3,739,289 | 1,540,711 | | 80,000 | | 80,000 | (3,659,289) * |
| Bus Cameras/Equipment | ** | 424,000 | 340,911 | 335,542 | 4,458 | 340,000 | 911 | | | | - | (340,000) * |
| Fuel Management System | ** | 67,000 | 81,000 | | 63,051 | 63,051 | 17,949 | | | | - | (63,051) * |
| Other Project | | | | | | | | | | | | |
| Unallocated 17/18 | | | | | | | | | | 50,000 | 50,000 | 50,000 |
| Total | | $87,017,071 | $123,078,290 | $30,196,317 | $34,002,836 | $64,199,153 | $58,879,137 | $79,000,000 | $80,000 | $100,000 | $79,180,000 | $14,980,847 |

* The current deficit fund balance will be eliminated when permanent financing is received.
**- Project numbers to be assigned


See Paragraph on Supplementary Schedules included in Auditor's Report

# MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
## SUPPLEMENTARY INFORMATION
## NET INVESTMENT IN CAPITAL ASSETS
## JUNE 30, 2018

| | | |
|---|---|---|
| **Capital assets, net** | | $143,204,285 |
| **Add:** | | |
| Unspent bond proceeds | | 18,993,187 |
| Library bond - asset not on books of District | | 1,705,000 |
| **Deduct:** | | |
| Gain on defeasance - bond refundings | | (1,563,800) |
| Short-term portion of bonds payable | ($10,010,000) | |
| Long-term portion of bonds payable | (102,605,000) | (112,615,000) |
| Short-term portion of energy performance contract | (923,189) | |
| Long-term portion of energy performance contract | (8,008,064) | (8,931,253) |
| Short-term portion of installment purchase debt payable | (24,013) | |
| Long-term portion of installment purchase debt payable | (7,569) | (31,582) |
| **Net investment in capital assets** | | $40,760,837 |



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
Middle Country Central 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 Middle Country Central 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 Middle Country Central School District's basic financial statements, and have issued our report thereon dated October 12, 2018.

**Internal Control over Financial Reporting**

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234
www.rsabrams.com

**Compliance and Other Matters**

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

**Purpose of this Report**

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2018

# APPENDIX D

# FORMS OF BOND COUNSEL OPINIONS

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

September 4, 2019

The Board of Education of
Middle Country Central School District at Centereach, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Middle Country Central School District at Centereach (the "School District"), in the County of Suffolk, New York, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale, and issuance of the $18,005,000 School District Serial Bonds-2019 Series B (the "Bonds"), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Bonds for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

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

1. The Bonds are valid and legally binding general obligations of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the

interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

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

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

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

**FORM OF OPINION OF BOND COUNSEL**

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

September 4, 2019

The Board of Education of
Middle Country Central School District at Centereach,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Middle Country Central School District at Centereach (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 $38,500,000 Tax Anticipation Note for 2019-2020 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.

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

# CONTINUING DISCLOSURE UNDERTAKING

**UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE**

Section 1. Definitions

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

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

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

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

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

"Issuer" shall mean Middle Country Central School District **at Centereach,** in the County of Suffolk, a school district of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

"Securities" shall mean the Issuer's **$18,005,000 School District Serial Bonds-2019 Series B**, dated September 4, 2019, maturing in various principal amounts on September 1 in each of the years 2020 to 2034, inclusive, and delivered on the date hereof.

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

(i) not later than the last day of the sixth month following the end of each fiscal year, commencing with the fiscal year ending June 30, 2020, the Annual Information relating to such fiscal year, together with audited financial statements of the Issuer for each fiscal year commencing with the fiscal year ending June 30, 2020, if audited financial statements are then available; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided with the Annual Information, and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than the last day of the succeeding fiscal year; provided, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities

laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17 (a)(2) of the Securities Act of 1933.

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(9) defeasances;

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

(11) rating changes;

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

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

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

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

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

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

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

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

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

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings: "The District", "Economic and Demographic Information", "Indebtedness of the District", "Finances of the District", Tax Information" and "Litigation", and in Appendix A.

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

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

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

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year shall be prepared in accordance with New York State regulatory requirements or GAAP as in effect from time to time. Such financial statements shall be audited by an independent accounting firm.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with subsection (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

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

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

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

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

(e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the

requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to the their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 4, 2019**.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT**
**AT CENTEREACH**

By_____

President of the Board of Education and Chief Fiscal Officer

# APPENDIX F

# NOTICE OF EVENTS UNDERTAKING

# UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

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

"Issuer" shall mean the Middle Country Central School District at Centereach, 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 September 4, 2019.

"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 $38,500,000 Tax Anticipation Note for 2019-2020 Taxes, dated September 4, 2019, maturing on June 25, 2020, 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;

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

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

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

(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 **September 4, 2019.**

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT AT CENTEREACH**

By_____

President of the Board of Education