

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 6, 2019

NEW ISSUE

TAX ANTICIPATION NOTES

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

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK**

**\$33,500,000\* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES  
(the "Notes")**

**Date of Issue: September 20, 2019**

**Maturity Date: June 25, 2020**

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

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

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

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(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. (See "*Description of Book-Entry System*" herein).

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

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 20, 2019.

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

September , 2019

\*Preliminary, subject to change.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK**

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Robert Banzer, Superintendent of Schools  
Robert Howard, Assistant Superintendent for Business  
Beth Nystrom, District Clerk  
Dawn Monsell, District Treasurer

**Board of Educational Counsel**

Ingerman Smith, LLP  
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\* \* \*

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\* \* \*

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

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## **OFFICIAL STATEMENT**

### **NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK**

#### **Relating To**

#### **\$33,500,000\* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES (the "Notes")**

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Northport-East Northport Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$33,500,000\* Tax Anticipation Notes for 2019-2020 Taxes (the "Notes").

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

### **THE NOTES**

#### **Description**

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

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Robert Howard, Assistant Superintendent for Business, Northport-East Northport Union Free School District, 158 Laurel Avenue, Northport, NY 11768, Phone (631) 262-6632, Fax (631) 262-6892 and email: robert.howard@northport.k12.ny.us.

#### **Optional Redemption**

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

#### **Description of Book-entry System**

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

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

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\*Preliminary, subject to change.

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

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

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

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Source: The Depository Trust Company

### **Authorization for and Purpose of Notes**

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 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.

### **Security and Source of Payment**

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

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

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (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 Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

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

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

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

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

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



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

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

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

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

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

## **NO PAST DUE DEBT**

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

## **BANKRUPTCY**

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

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

## **THE DISTRICT**

### **Description**

The Northport-East Northport Union Free School District is located in the northeastern section of the Town of Huntington and fronts on Long Island Sound. The District covers an area of approximately 18 square miles and includes the incorporated Villages of Northport and Asharoken and the unincorporated areas of Northport, East Northport and Eaton's Neck as well as part of Fort Salonga. The Town of Smithtown borders the District on the east while Commack and Elwood School Districts lie to the south and the Harborfields School District lies to the west.

The Incorporated Village of Northport, with an area of approximately 2.5 square miles, lies entirely within the District. The Village maintains municipal parking fields, sanitary and storm sewer systems with a modern sewerage disposal plant, municipal dock, park, beaches and modern Fire and Police Departments.

The District is basically a residential community. The area has much of its terrain broken by hills and an indented harbor having an irregular shoreline. Northport has always been noted as a haven for small boats and recreational yachting activity. A number of the District residents commute to New York City and other points by Long Island Rail Road and automobile. The Port Jefferson Branch of the Long Island Rail Road serves Northport and is electrified to Huntington, two stations west.

### **District Organization**

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

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held in May of each year). The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. Beginning in the 2017-2018 fiscal year, the number of elected board members were reduced from nine to seven. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

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

### **Enrollment History**

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

<u>School Year</u>	<u>School Enrollment</u>
2014-2015	5,353
2015-2016	5,583
2016-2017	5,501
2017-2018	5,339
2018-2019	5,212

Source: District Officials.

### Projected Future Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2019-2020	5,052
2020-2021	4,824
2021-2022	4,694
2022-2023	4,690
2023-2024	4,690

Source: District Officials.

### District Facilities

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

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Capacity</u>
Dickinson Ave. School	K-5	1956	555
Fifth Ave. School	K-5	1958	648
Norwood Ave. School	K-5	1958	616
Ocean Ave. School	K-5	1938	578
Pulaski Rd. School	K-5	1962	469
Bellerose Ave. School	K-5	1966	563
East Northport Middle School	6-8	1958	1,106
Northport Middle School	6-8	1954	1,422
Northport High School	9-12	1966	2,788
William J. Brosnan Building	Admin.	1924	750

Note: Dates of construction reflects dates in the 2015 Building Condition Survey. Capacity reflects the results of the District Demographic Study.

### Employees

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

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
United Teachers of Northport <sup>a</sup>	06/30/2019	583
Northport Association of School Administrators	06/30/2021	27
Local 424 United Public Service Employees Union	06/30/2020	94
Clerical	06/30/2022	74
School Lunch Personnel - Local 424 United Public Service Employees Union <sup>a</sup>	06/30/2019	36
Teacher Aides <sup>a</sup>	06/30/2019	119
United Teachers of Northport - Teaching Assistants <sup>a</sup>	06/30/2019	64

a. Contracts are in negotiation.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Trends

The following table sets forth population statistics for the District, the Town, the County and the State.

<u>Year</u>	<u>District</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>State of New York</u>
1990	-	191,474	1,321,864	17,990,455
2000	-	195,269	1,419,369	18,976,457
2010	37,536	203,264	1,493,350	19,378,102
2017	35,765	203,263	1,492,953	19,849,399

Source: U.S. Bureau of the Census.

### Income Data

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

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
District	-	-	\$44,146	\$49,197
Town of Huntington	\$24,810	\$36,390	46,862	51,332
County of Suffolk	18,481	26,577	35,755	41,331
State of New York	16,501	23,389	30,791	37,156

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
District	-	-	\$103,129	\$105,979
Town of Huntington	\$60,530	\$82,528	101,495	106,642
County of Suffolk	49,128	65,288	84,506	94,750
State of New York	32,965	43,393	55,603	64,894

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2013-2017)

**Selected Listing of Larger Employers in the Town of Huntington**  
(As of 2018)

Largest employers 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 Huntington.

<u>Name</u>	<u>Type</u>	<u>Estimated Number Of Employees</u>
Half Hollow Hills School District	Education	2,441
Northport Veterans Affairs Medical Center	Healthcare	2,000
Huntington Hospital	Hospital	2,000
Canon	Imaging Products	1,509
Estee Lauder, Inc.	Cosmetics	1,450
Commack School District	Education	1,439
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Northport-East Northport UFSD	Education	1,300
Newsday	Newspaper	1,228
Western Suffolk BOCES	Education	1,176

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

<u>Annual Averages:</u>	<u>Town of Huntington (%)</u>	<u>County of Suffolk (%)</u>	<u>New York State (%)</u>
2014	4.6	7.8	6.4
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017	4.3	4.8	5.1
2018	3.5	4.0	4.2
2019 (7 Month Average)	3.2	3.6	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 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 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 principal amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

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

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

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

**Computation of Debt Limit and Debt Contracting Margin**  
(As of September 6, 2019)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Huntington (2018-2019) <sup>a</sup>	\$79,812,695	0.80%	\$9,976,586,875
Debt Limit - 10% of Full Valuation			\$997,658,688
Inclusions: <sup>b</sup>			
Outstanding Bonds			\$8,080,000
Bond Anticipation Notes			<u>23,000,000</u>
Total Indebtedness			<u>\$31,080,000</u>
Exclusions (Estimated Building Aid) <sup>c</sup>			<u>7,770,000</u>
Total Net Indebtedness			<u>23,310,000</u>
Net Debt Contracting Margin			<u><u>\$974,348,688</u></u>
Per Cent of Debt Contracting Margin Exhausted			2.34%

a. The latest completed assessment roll for which a State Equalization Rate has been established.

b. Tax 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 therefor may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

**Details of Short-Term Indebtedness Outstanding**

As of the date of this Official Statement, the District has \$23,000,000 in bond anticipation notes outstanding that mature on November 21, 2019.

**Trend of Outstanding Indebtedness**  
As at June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$14,350,000	\$14,350,000	\$12,465,000	\$10,530,000	\$ 8,535,000
BANs	-	-	-	-	23,000,000
Other <sup>a</sup>	-	-	12,465,659	12,096,571	11,529,823
	<u>-</u>	<u>-</u>	<u>12,465,659</u>	<u>12,096,571</u>	<u>11,529,823</u>
Total	<u>\$14,350,000</u>	<u>\$14,350,000</u>	<u>\$24,930,659</u>	<u>\$22,626,571</u>	<u>\$43,064,823</u>

a. Energy Performance Contract debt.

### Debt Service Requirements - Outstanding Bonds<sup>a</sup>

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$2,050,000	\$332,300	\$2,382,300
2021	2,125,000	249,900	2,374,900
2022	2,195,000	164,600	2,359,600
2023	510,000	76,400	586,400
2024	530,000	55,600	585,600
2025	550,000	34,000	584,000
2026	<u>575,000</u>	<u>11,500</u>	<u>586,500</u>
Totals <sup>a</sup>	<u>\$8,535,000</u>	<u>\$924,300</u>	<u>\$9,459,300</u>

a. Does not include payments made to date.

### Debt Service Requirements – 2016 Energy Performance Contract

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 585,029	\$ 364,311	\$ 949,341
2021	603,900	345,441	949,341
2022	623,379	325,961	949,341
2023	643,487	305,853	949,341
2024	664,243	285,097	949,341
2025	685,669	263,671	949,341
2026	707,786	241,554	949,341
2027	730,617	218,724	949,341
2028	754,183	195,157	949,341
2029	778,510	170,830	949,341
2030	803,622	145,719	949,341
2031	829,544	119,797	949,341
2032	856,301	93,039	949,341
2033	883,922	65,418	949,341
2034	912,434	36,907	949,341
2035	<u>467,195</u>	<u>7,475</u>	<u>474,670</u>
Totals <sup>a</sup>	<u>\$11,529,823</u>	<u>\$3,184,955</u>	<u>\$14,714,778</u>

a. Does not include payments made to date.



### Tax Anticipation Notes

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

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

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2015	\$30,000,000	08/28/2014	06/25/2015
2016	32,500,000	09/10/2015	06/27/2016
2017	31,000,000	09/20/2016	06/27/2017
2018	32,500,000	09/06/2017	06/27/2018
2019	32,500,000	09/05/2018	06/27/2019

### Authorized and Unissued Debt

On February 28, 2017, the residents of the Districts approved a \$39.8 million capital project for district-wide improvements. The District has issued \$23,000,000 in bond anticipation notes for such improvements.

### Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/19/2019	4.38	\$ 95,474,312	\$55,779,594
Town of Huntington	07/12/2019	24.69	25,113,433	17,491,846
Village of Northport	02/28/2018	100.00	6,171,431	6,171,431
Village of Asharoken	05/31/2018	100.00	0	0
Eaton's Neck Fire District	12/31/2017	100.00	119,135	119,135
East Northport Fire District	12/31/2017	70.00	822,500	822,500
Totals			<u>\$127,700,811</u>	<u>\$80,384,506</u>

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

### Debt Ratios

(As of September 6, 2019)

	<u>Amount</u>	<u>Per Capita<sup>a</sup></u>	<u>Percentage Of Full Value (%)<sup>b</sup></u>
Total Direct Debt	\$ 31,080,000	\$ 869	0.312
Net Direct Debt	23,310,000	652	0.234
Total Direct & Applicable Total Overlapping Debt	158,780,811	4,440	1.592
Net Direct & Applicable Net Overlapping Debt	103,694,506	2,899	1.039

a. The current population of the District is 35,765.

b. The full valuation of taxable property is \$9,976,586,875.

## **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 2014 through 2018, inclusive and the amounts budgeted for the 2019 and 2020 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2014	\$149,889,246	\$11,394,835	7.60
2015	153,835,335	12,647,055	8.22
2016	157,178,141	13,991,457	8.90
2017	157,986,120	14,593,006	9.24
2018	160,650,264	15,247,862	9.49
2019 (Budgeted) <sup>a</sup>	166,810,381	16,040,121	9.62
2020 (Budgeted) <sup>a</sup>	171,077,668	16,130,805	9.43

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 prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State’s income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State’s 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State’s 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. 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 have been 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 \$1,335,040.

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: 3.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released in October, 2014. The purpose of such audit was to examine the District's financial activities for the period July 1, 2012 through September 30, 2013. The complete report, along with the District's response, may be found on the OSC's official website.

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 <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2015	\$11,409,312	\$3,014,318
2016	8,613,769	2,606,198
2017	7,856,255	2,462,134
2018	6,769,019	2,480,484
2019	7,350,514	2,376,369
2020 (Budgeted)	7,200,000	2,376,801

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:

<u>Changes in Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2018:</u>
Total OPEB Liability at June 30, 2017	<u>\$201,637,938</u>
Charges for the Year:	
Service Cost	8,897,099
Interest	7,258,966
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Benefit Payments	<u>(5,146,108)</u>
Net Changes	<u>\$11,009,957</u>
Total OPEB Liability at June 30, 2018	<u>\$212,647,895</u>

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

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

## **TAX INFORMATION**

### **Real Property Taxes**

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Huntington. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of 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.

For a discussion of a tax certiorari proceeding with respect to the District's largest taxpayer, see "Long Island Power Authority Tax Certiorari" herein.

The following table sets forth the amount of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2014 through 2018, inclusive and for the amounts budgeted for the 2019 and 2020 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2014	\$149,889,246	\$125,996,202	84.06
2015	153,835,335	129,062,837	83.90
2016	157,178,141	130,699,926	83.15
2017	157,986,120	132,307,298	83.75
2018	160,650,264	134,524,663	83.74
2019 (Budgeted) <sup>a</sup>	166,810,381	137,927,791	82.69
2020 (Budgeted) <sup>a</sup>	171,077,668	141,717,642	82.84

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 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 5.3% 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 5.3% of the District's 2019-2020 school tax levy is 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 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 and Levies

The following table sets forth the District's assessed and full valuations, tax rates and levies for the years 2015-2019.

<u>Fiscal Year Ending June 30:</u>	<u>Assessed Valuation</u>	<u>State Equal. Rate (%)</u>	<u>Full Valuation</u>	<u>Tax Rate Per \$1,000 Assessed Valuation</u>	<u>Tax Levy</u>
2015	\$80,636,543	0.89	\$9,060,285,730	1,718.78	\$138,623,229
2016	80,448,338	0.86	9,354,457,907	1,742.39	140,219,860
2017	79,986,268	0.85	9,410,149,176	1,761.34	140,921,095
2018	79,865,722	0.84	9,507,824,048	1,789.61	142,972,862
2019	79,812,695	0.80	9,976,586,875	1,828.33	145,798,566

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

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Marketspan Generation, LLC	Utility	\$30,239,550 <sup>a</sup>
Long Island Lighting Co.	Utility	1,281,508
Long Island Power Authority	Utility	828,096
Iroquois Gas Transmission System	Utility	406,939
Keyspan Corporation	Utility	308,669
Eatons Neck LLC	Estate	276,300
Atria Senior Living Group Inc.	Apartments	177,600
Verizon	Utility	159,178
Fort Slongo, LLC	Shopping Center	75,000
Serota Northport LLC	Commercial	66,000
Four T. Associates LLC	Marina	65,000
Connecticut Storage Fund	Commercial	58,000
Britannia Acquisition LLC	Commercial	57,500
East Northport LLC	Commercial	53,000
Guiseppe Cavagnaro	Commercial	47,800
Total		<u>\$34,100,140<sup>b</sup></u>

a. See "Long Island Power Authority Tax Certiorari" herein.

b. Represents 42.73% of the total full valuation of the District for 2017-2018.

Source: Town Assessment Rolls.

## LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, 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.

### **Long Island Power Authority Tax Certiorari**

The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. As the assessing authority, the Town of Huntington is actively opposing these challenges before the Suffolk County, N.Y. Supreme Court. An adverse result of such a challenge could have a considerable impact on the District's residential property taxes and future school district budgets. The Northport Power Plant currently pays approximately \$55.0 million in taxes to the Northport-East Northport School District. The Power Plant's assessed valuation represents approximately 37.7% of the total assessed valuation of the District. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. The claim was dismissed by the Suffolk County Supreme Court. The case has been appealed to the Appellate Division Second Department. A reduction in the school taxes paid by the Power Plant would cause a shift in the tax burden to the District's residential tax base and could impact future budgets. The impact would be contingent upon the amount of the Power Plant's property tax assessment reduction. Any award of back taxes payable to LIPA and/or National Grid as a result of the proceeding would not be the responsibility 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 Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

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

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

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

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

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

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

## **CYBERSECURITY**

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

## **TAX MATTERS**

### **Opinion of Bond Counsel**

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

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

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

## **Certain Ongoing Federal Tax Requirements and Certifications**

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

## **Certain Collateral Federal Tax Consequences**

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

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

## **Original Issue Discount**

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

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

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

## **Note Premium**

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

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

### **Information Reporting and Backup Withholding**

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

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

### **Miscellaneous**

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

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

## **LEGAL MATTERS**

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

## **DISCLOSURE UNDERTAKING**

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

### **Disclosure Compliance History**

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

<u>Fiscal Year Ending June 30:</u>	<u>Financial &amp; Operating Information</u>	<u>Audited Financial Statements</u>
2014	12/23/2014	11/05/2014
2015	12/24/2015	11/09/2015
2016	12/12/2016	11/01/2016
2017	11/07/2017	10/16/2017
2018	12/19/2018	10/31/2018



## **RATINGS**

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, has assigned a rating of "Aa2" to the outstanding uninsured bonds of the District. 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 Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **ADDITIONAL INFORMATION**

Additional information may be obtained from the office of Robert Howard, Assistant Superintendent for Business, Northport-East Northport Union Free School District, 158 Laurel Avenue, Northport, NY 11768, Phone (631) 262-6632, Fax (631) 262-6892 and email: robert.howard@northport.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: [www.munistat.com](http://www.munistat.com).

Munistat Services, Inc. may place a copy of this Official Statement on its website at [www.munistat.com](http://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 DAVID BADANES  
President of the Board of Education  
Northport-East Northport Union Free School District  
Northport, New York

September , 2019

## **APPENDIX A**

### **FINANCIAL INFORMATION**

**Statement of Revenues, Expenditures and Changes in Fund Equity  
General Fund**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES					
Real Property Taxes	\$ 125,996,202	\$ 129,062,837	\$ 130,699,926	\$ 132,307,298	\$ 134,524,663
Other Tax Items	9,921,868	9,561,797	9,517,614	8,615,019	8,449,613
Charges for Services	881,843	861,344	845,513	830,499	823,927
Use of Money and Property	266,931	243,890	249,961	262,827	471,160
Sale of Prop & Comp for Loss	132,907	146,006	178,549	325,501	133,772
Miscellaneous	1,262,091	1,275,813	1,631,070	994,718	958,459
State Sources	11,394,835	12,647,055	13,991,457	14,593,006	15,247,862
Federal Sources	<u>32,569</u>	<u>36,593</u>	<u>64,051</u>	<u>57,252</u>	<u>40,808</u>
Total Revenues	<u>149,889,246</u>	<u>153,835,335</u>	<u>157,178,141</u>	<u>157,986,120</u>	<u>160,650,264</u>
EXPENDITURES					
General Support	15,356,269	15,404,458	15,582,961	16,767,450	17,584,503
Instruction	85,947,212	86,267,476	88,092,564	89,670,787	90,916,852
Pupil Transportation	7,564,709	7,585,120	7,643,949	7,559,684	7,855,490
Community Services	425,809	426,381	372,641	397,054	426,830
Employee Benefits	38,342,335	38,712,084	36,150,657	36,848,674	38,269,007
Debt Service	<u>3,251,178</u>	<u>3,178,251</u>	<u>3,412,619</u>	<u>2,752,492</u>	<u>3,860,962</u>
Total Expenditures	<u>150,887,512</u>	<u>151,573,770</u>	<u>151,255,391</u>	<u>153,996,141</u>	<u>158,913,644</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(998,266)</u>	<u>2,261,565</u>	<u>5,922,750</u>	<u>3,989,979</u>	<u>1,736,620</u>
OTHER SOURCES AND USES					
Premium Obligations					242,127
Operating Transfers In	345,597			1,048,341	
Operating Transfers (Out)	<u>(2,291,408)</u>	<u>(2,587,653)</u>	<u>(4,895,057)</u>	<u>(4,516,589)</u>	<u>(3,100,914)</u>
Total Other Sources (Uses)	<u>(1,945,811)</u>	<u>(2,587,653)</u>	<u>(4,895,057)</u>	<u>(3,468,248)</u>	<u>(2,858,787)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,944,077)	(326,088)	1,027,693	521,731	(1,122,167)
Fund Equity - Beginning of Year	26,565,224	23,621,147	23,295,059	24,322,752	24,844,483
Other Changes in Fund Equity					
Fund Equity - End of Year	<u>\$ 23,621,147</u>	<u>\$ 23,295,059</u>	<u>\$ 24,322,752</u>	<u>\$ 24,844,483</u>	<u>\$ 23,722,316</u>

Source: Audited Annual Financial Reports of the School District., 2014-2018

NOTE: This schedule NOT audited

**Balance Sheet - General Fund**  
**As of June 30:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>ASSETS:</b>			
Cash	\$ 38,314,853	\$ 38,914,530	\$ 34,298,247
Receivables:			
State and Federal	2,839,142	2,623,031	2,685,037
Due from Other Governments	242,138	161,155	218,783
Due from Other Funds	2,734,079	2,958,728	2,366,465
Due from Fiduciary Funds		175,481	203,371
Other Receivables	22,485	13,708	12,389
Deferred Expenditures	<u>1,606,626</u>	<u>1,829,811</u>	<u>1,965,171</u>
 Total Assets	 <u>\$ 45,759,323</u>	 <u>\$ 46,676,444</u>	 <u>\$ 41,749,463</u>
 <b>LIABILITIES:</b>			
Payables			
Accounts Payable	\$ 2,847,935	\$ 2,527,137	\$ 2,889,544
Accrued Liabilities	1,137,581	1,024,625	871,433
Due to Other Funds	6,907,173	8,640,174	5,027,075
Due to Fiduciary Funds	65,328		
Due to Other Governments		338,898	221,457
Due to Teachers' Retirement System	9,179,487	8,084,128	7,012,263
Due to Employees' Retirement System	733,484	750,784	750,673
Deferred Revenues	137,163	94,294	114,437
Unearned Revenues	247,655	307,685	297,867
Compensated Absence	<u>180,765</u>	<u>64,236</u>	<u>842,398</u>
 Total Liabilities	 <u>21,436,571</u>	 <u>21,831,961</u>	 <u>18,027,147</u>
 <b>FUND BALANCES:</b>			
Non-spendable			
Advances			
Prepays	1,606,626	1,829,811	1,965,171
Restricted			
Reserved for Encumbrances			
Reserved for Capital	2,120,398	3,193,323	2,802,966
Reserved for Unemployment Insurance	830,027	824,190	821,008
Reserved for Insurance	49,604	49,694	49,957
Reserved for Employee Benefit Accrued Liability	3,903,400	3,860,578	3,006,311
Reserved for Workers' Compensation	2,430,147	2,408,599	2,695,673
Reserved for Retirement Contribution	3,031,216	2,611,114	2,780,992
Unreserved			
Designated for Subsequent Year's Expenditures	3,896,100	3,534,901	2,927,824
Unreserved - Undesignated	<u>6,455,234</u>	<u>6,532,273</u>	<u>6,672,414</u>
 Total Fund Equity	 <u>24,322,752</u>	 <u>24,844,483</u>	 <u>23,722,316</u>
 Total Liabilities and Fund Equity	 <u>\$ 45,759,323</u>	 <u>\$ 46,676,444</u>	 <u>\$ 41,749,463</u>

Source: Audited Annual Financial Reports of the School District for FY 2016-2018

NOTE: This schedule NOT audited

**Budget Summary**  
**General Fund**

	Fiscal Year Ending June 30:	
	Budget	Budget
	<u>2018-19 (1)</u>	<u>2019-20 (2)</u>
Revenues:		
Real Property Taxes (Includes Library Tax)	\$ 137,927,791	\$ 141,717,642
STAR Reimbursement	8,050,000	8,000,000
Assigned Fund Balance	2,400,000	2,375,000
Restricted Reserves	234,969	336,721
State Aid	16,040,121	16,130,805
Use of Money and Property	280,000	580,000
Charges for Services	520,000	530,000
Federal Aid	50,000	50,000
Miscellaneous	<u>1,307,500</u>	<u>1,357,500</u>
Total Revenues	\$ <u>166,810,381</u>	\$ <u>171,077,668</u>
Expenditures:		
Salaries	\$ 89,179,478	\$ 90,501,917
Employee Benefits	39,142,319	40,630,764
Equipment and Supplies	3,744,003	3,763,985
Other services	29,068,308	29,757,790
Debt Service	3,906,273	4,961,462
Interfund Transfers	<u>1,770,000</u>	<u>1,461,750</u>
Total Expenditures	\$ <u>166,810,381</u>	\$ <u>171,077,668</u>

(1) The 2018-19 Budget was approved by the voters of the District on May 15, 2018.

(2) The 2019-20 Budget was approved by the voters of the District on May 21, 2019.

## **APPENDIX B**

### **CASH FLOW SUMMARIES**

**CASH FLOW SUMMARY 2018-2019 (Actual) (000)**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Balance (beg. of month) (1)	31,995	23,730	12,610	33,617	19,681	8,214	10,017	74,672	72,586	62,412	48,762	54,564	31,995
RECEIPTS:													
Property Taxes (2)						788	71,458	7,766	1,069	1,558	22,017	33,354	138,010
STAR Aid							7,969						7,969
State Aid	45	550	2,578	2,399	2,751	988	68	163	3,066			842	13,450
Other Receipts	185	1,358	1,258	238	332	121	124	103	435	152	674	536	5,516
Transfers	227	71	733	1,072	1,709	15,352	265	505	2,165	41	398	1,782	24,320
Note Proceeds - TAN	0	0	32,779					289					33,068
Total Receipts	457	1,979	37,348	3,709	4,792	17,249	79,884	8,826	6,735	1,751	23,089	36,514	222,333
DISBURSEMENTS:													
Salaries and Benefits	2,355	1,715	5,470	7,221	11,265	7,749	7,225	8,943	7,510	7,463	11,071	16,609	94,596
Other Expenses	4,389	5,087	4,044	7,698	3,569	6,469	6,829	503	7,525	5,393	5,026	6,742	63,274
Debt Service - Principal & Interest		518	474	122				72	474	1,677			3,337
TAN Repayment Principal Provision												33,291	33,291
Transfers	1,151	4,952	5,526	1,777	598	401	348	566	573	41	363	8,064	24,360
Public Library	827	827	827	827	827	827	827	828	827	827	827	827	9,925
Total Disbursements	8,722	13,099	16,341	17,645	16,259	15,446	15,229	10,912	16,909	15,401	17,287	65,533	228,783
Balance (end of month)	23,730	12,610	33,617	19,681	8,214	10,017	74,672	72,586	62,412	48,762	54,564	25,545	25,545
Note Payment Account (3)													
Balance (Beginning)	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts	-	-	-	-	-	-	-	-	-	-	-	32,500	32,500
Disbursements	-	-	-	-	-	-	-	-	-	-	-	32,500	32,500
Balance (Ending)	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Balance as of June 30, 2018. Opening balances includes restricted reserves and excludes capital reserves.

(2) Includes Library Tax

(3) The Note Payment Account reflects the amounts set aside by the District to pay the principal and interest of 2018-2019 Tax Anticipation Notes at their maturity.

The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.

**CASH FLOW SUMMARY 2019-2020 (Projected) (000)**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
Balance (beg. of month) (1)	25,545	17,825	11,089	37,556	23,123	11,439	520	66,246	59,084	49,126	35,248	42,524	25,545
RECEIPTS:													
Property Taxes (2)						700	73,000	8,000	1,025	1,500	22,500	34,989	141,714
STAR Aid							8,000						8,000
State Aid	29	525	2,750	2,750	2,750	1,000	70	160	3,025			850	13,909
Other Receipts	185	1,350	1,250	250	350	140	140	125	450	200	675	535	5,650
Transfers			1,750		1,500	2,500			2,500		1,500	1,750	11,500
Note Proceeds - TAN			33,500										33,500
Total Receipts	214	1,875	39,250	3,000	4,600	4,340	81,210	8,285	7,000	1,700	24,675	38,124	214,273
DISBURSEMENTS:													
Salaries and Benefits	2,500	1,900	5,625	7,250	11,400	7,775	7,500	9,000	7,600	7,625	11,100	16,700	95,975
Other Expenses	4,500	5,250	4,100	7,500	3,500	6,450	6,800	5,000	7,500	5,425	5,100	6,750	67,875
Debt Service - Principal & Interest		527	474	99				63	474	1,694			3,331
TAN Principal Repayment Provision												33,500	33,500
Transfers	100	100	1,750	1,750	550	200	350	550	550		365	200	6,465
Public Library	834	834	834	834	834	834	834	834	834	834	834	834	10,008
Total Disbursements	7,934	8,611	12,783	17,433	16,284	15,259	15,484	15,447	16,958	15,578	17,399	57,984	217,154
Balance (end of month)	17,825	11,089	37,556	23,123	11,439	520	66,246	59,084	49,126	35,248	42,524	22,664	22,664
<u>Note Payment Account (3)</u>													
Balance (Beginning)	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts	-	-	-	-	-	-	-	-	-	-	-	33,500	33,500
Disbursements	-	-	-	-	-	-	-	-	-	-	-	33,500	33,500
Balance (Ending)	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Balance as of June 30, 2019. Opening balances includes restricted reserves and excludes capital reserves.

(2) Includes Library Tax

(3) The Note Payment Account reflects the amounts set aside by the District to pay the principal and interest of 2019-2020 Tax Anticipation Notes at their maturity.

The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

**APPENDIX C**

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

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

# **NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Northport-East Northport Union Free School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Northport-East Northport Union Free School District as of and for the 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 funds of the Northport-East Northport Union Free School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter – Change in Accounting Principle***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in 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 54 through 60, 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 Northport-East Northport Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the Northport-East Northport Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northport-East Northport Union Free School District's internal control over financial reporting and compliance.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 24, 2018

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

The following is a discussion and analysis of the Northport-East Northport Union Free School District's (the "District") financial performance for the 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.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The general fund adopted budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, was \$163,306,840. This is an increase of \$1,925,957 or 1.19% over the previous year's budget and an increase of \$4,794,110 or 3.02% over the previous year's actual expenditures and transfers. As illustrated in the table below, although the adjusted budget increase from 2016-2017 to 2017-2018 was 1.00%, actual expenditures increased over the same period of time by 2.21%.
- Total actual expenditures and transfers for the 2017-2018 fiscal year increased by \$3,501,828 or 2.21% over the previous year's actual expenditures and transfers. This increase was primarily due to an increase in contractual salary obligations, debt service payments, employee retirement payouts and health insurance. It should be noted that expenditures decreased from 2016-2017, including contributions to the New York State Teachers' Retirement System and transfer to other funds.

<u>Fiscal Year</u>	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures</u>
2016-2017	\$161,380,883	\$164,521,868	\$158,512,730
2017-2018	\$163,306,840	\$166,161,065	\$162,014,558
2017-2018 Increase	\$1,925,957	\$1,639,197	\$3,501,828
2017-2018 Percent Increase	1.19%	1.00%	2.21%

- The 2017-2018 adopted budget was adjusted for various items during the year. The final adjusted budget for the year ending June 30, 2018 was \$166,161,065. This difference of \$2,854,225 reflects the following adjustments: (1) roll-over of prior year (2016-2017) encumbrances of \$1,034,901, resulting in the original budget of \$164,341,741; (2) voter approval in May 2018 to use capital reserve funds for specific capital projects in the amount of \$900,000; (3) use of the employee benefit accrued liability reserve in the amount of \$799,282 and (4) donations from various sources in the amount of \$120,042.
- The 2017-2018 financial statements reflect actual revenues over the budgeted amount and actual expenditures and encumbrances under the budgeted amount. The budgetary savings of \$3,947,819 and how that savings was utilized is illustrated in the following table:

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

Revenues over budget	\$ 329,136
Expenditures and encumbrances under budget	<u>3,618,683</u>
<b>Total budgetary savings (revenues + expenditures)</b>	<b>3,947,819</b>
Transfer to Capital Reserve (established 2018)	(500,000)
Transfer to Workers' Compensation Reserve	(400,000)
Transfer to Retirement Contribution Reserve	(313,025)
Transfer to Nonspendable (Prepays)	(135,360)
Transfer interest earnings to reserve funds	(59,293)
Transfer to assigned fund balance to lower the tax levy	(2,400,000)
Transfer to unassigned fund balance	<u>(140,141)</u>
<b>Balance of budgetary savings</b>	<b><u>\$ -0-</u></b>

- The 2017-2018 total budgetary savings was \$3,947,819. The District used \$2,400,000 or 60% of the total budgetary savings to lower the 2018-2019 tax levy. The District consistently uses budgetary savings to lower the tax levy. Last year, the District used 44% of its 2016-2017 total budgetary savings to lower the 2017-2018 tax levy.
- The 2017-2018 revenues were over budget by \$329,136. This reflects the net variance amount for all the revenue items. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$69,945 was never received due to estimates versus actuals for expenditure driven aids; (2) an additional \$212,917 was received from miscellaneous revenue due to refunds of prior year expenditures; and (3) an additional \$217,160 in use of money and property revenue was generated due to higher than projected interest rates.
- The 2017-2018 expenditures and encumbrances were under budget by \$3,618,683, primarily due to the following items: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual contract transportation costs were less than budgeted; (3) actual salary costs were less than expected due to mid-year employee retirements and a decrease in the number of students requiring services (4) employer pension costs to the New York State Employee' Retirement System were less than budgeted and (5) expenditures for BOCES services were less than projected. Please see 'General Fund Budgetary Highlights – Expenditures and Encumbrances Under Budget' for further discussion on this topic.
- The general fund total fund balance, as reflected on the balance sheet in the fund financial statements, decreased by \$1,122,167 to \$23,722,316. This was due to the excess of expenditures and other uses over revenues and other sources.
- The \$1,122,167 decrease in the District's general fund balance from \$24,844,483 at June 30, 2017 to \$23,722,316 at June 30, 2018 is illustrated in the table below.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

<b>Fund Balance as of June 30, 2017</b>	<b>\$24,844,483</b>
<b><u>INCREASES TO FUND BALANCE -</u></b>	
Reserve for Capital	\$509,643
Reserve for Insurance	263
Workers' Compensation Reserve	287,074
Retirement Contribution Reserve	169,878
Reserve for Prepaids	135,360
Unassigned Fund Balance	<u>140,141</u>
<b>TOTAL INCREASES TO FUND BALANCE</b>	<b>\$1,242,359</b>
<b><u>DECREASES TO FUND BALANCE -</u></b>	
Reserve for Capital	(900,000)
Reserve for Unemployment Insurance	(3,182)
Employee Benefit Accrued Liability Reserve	(854,267)
Assigned Fund Balance (roll-over prior year encumbrances)	(507,077)
Assigned Fund Balance (reduces the tax levy)	<u>(100,000)</u>
<b>TOTAL DECREASES TO FUND BALANCE</b>	<b>(\$2,364,526)</b>
<b>Fund Balance as of June 30, 2018</b>	<b>\$23,722,316</b>

- The amount of the general fund unassigned fund balance as of June 30, 2018 is \$6,672,414. This is 4.00% of the District's 2018-2019 approved operating budget of \$166,810,381. The District is in compliance with the New York State Real Property Tax Law §1318 limit, which restricts the unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming school year. Maintaining the maximum unassigned fund balance provides financial protection for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available for operating expenses.
- Chapter 97 of the Laws of 2011 established a tax levy limit that affected all local governments, most school districts and independent taxing entities such as library, fire and water districts. The law has been referred to as the "2% property tax cap". Under this law, the growth in the property tax levy is capped at 2% or the rate of inflation, whichever is less, with some exceptions. School districts have the ability to override the cap by obtaining a super majority, or 60% approval by the District's budget voters. The District's 2018-2019 projected tax levy was under the 2% property tax cap for the tenth consecutive year.
- The District established and funded allowable reserves in anticipation of the 2% property tax cap and the pending LIPA tax certiorari on the Northport Power Plant. Reserve funds provide the District with a legal channel to save money for future needs. As part of the District's long range financial plan, these incremental savings have helped to alleviate the financial impact of the 2% property tax cap. There has not been a settlement with LIPA regarding its pending tax certiorari. The Northport Power Plant currently pays approximately \$53.8 million in taxes to the Northport-East Northport School District. The plant's assessed valuation represents approximately 37.9% of the total assessed valuation of the School District. A reduction in the school taxes paid by LIPA would cause a shift in the tax burden to the District's residential



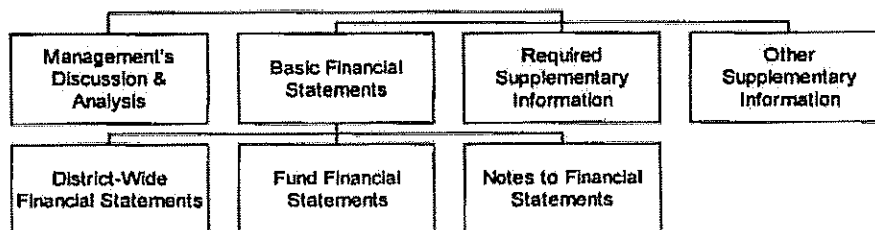
**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

tax base and could impact future budgets. The impact would be contingent upon the amount of LIPA's property tax assessment reduction.

- On the district-wide financial statements, total net position decreased by \$9,544,251 or 9.5% to \$(109,743,333) for the year ended June 30, 2018, compared to \$(100,199,082) at June 30, 2017, as restated. The decrease in net position is primarily the result of the increase of the unfunded addition to the total other postemployment benefit (OPEB) liability. The District adopted GASB Statement No. 75 which required an adjustment to the opening net position. See Note 20 for further detail.
- The District's total OPEB liability amounted to \$212,647,895 as of June 30, 2018, which is an increase of \$11,009,957 over the prior year amount. See Note 14 for further detail.
- On the district-wide financial statements, the District's expenses for the year totaled \$175,170,779. Of this amount, \$5,531,384 was offset by program charges for services, operating and capital grants. General revenues of \$160,095,144 amount to 97% of total revenues, and were not adequate to cover the balance of program expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

The chart below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements			
	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; 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

#### **District-Wide Financial Statements**

The district-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances. These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

**The Statement of Net Position**

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

**The Statement of Activities**

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

**Fund Financial Statements**

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

**Governmental Funds**

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

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

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

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

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Fiduciary Funds**

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Condensed Statement of Net Position**

The District's total net position decreased by \$9,544,251 between fiscal year 2018 and 2017. A summary of the District's Statements of Net Position follows.

	<u>6/30/2018</u>	<u>6/30/2017 *</u>	<u>Change</u>	<u>Percent Change</u>
Current and other assets	\$ 42,538,102	\$ 54,996,843	\$ (12,458,741)	-22.7%
Capital assets, net	70,120,945	60,979,740	9,141,205	15.0%
Net pension asset - proportionate share	\$ 3,214,018	-0-	3,214,018	NA
<b>Total assets</b>	<b>115,873,065</b>	<b>115,976,583</b>	<b>(103,518)</b>	<b>-0.1%</b>
Deferred outflows of resources	49,126,112	49,840,085	(713,973)	-1.4%
Other liabilities	14,240,788	17,110,631	(2,869,843)	-16.8%
Non-current liabilities	244,404,000	236,523,323	7,880,677	3.3%
Net pension liability - proportionate share	1,576,557	9,353,801	(7,777,244)	-83.1%
<b>Total liabilities</b>	<b>260,221,345</b>	<b>262,987,755</b>	<b>(2,766,410)</b>	<b>-1.1%</b>
Deferred inflows of resources	14,521,165	3,027,995	11,493,170	379.6%
Net position:				
Net investment in capital assets	47,516,282	41,061,500	6,454,782	15.7%
Restricted	17,090,286	17,689,190	(598,904)	-3.4%
Unrestricted (deficit)	(174,349,901)	(158,949,772)	(15,400,129)	-9.7%
<b>Total net position (deficit)</b>	<b>\$ (109,743,333)</b>	<b>\$ (100,199,082)</b>	<b>\$ (9,544,251)</b>	<b>9.5%</b>

\* Non-current liabilities and unrestricted net position for 2017 have been restated for the implementation of GASB Statement No. 75. See Footnote 20 for further information.

Current and other assets decreased by \$12,458,741, as compared to the prior year. The decrease is primarily related to the decrease in cash.

Capital assets, net increased by \$9,141,205, as compared to the prior year. This increase was the result of asset purchases, net of depreciation expense during the year. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$3,214,018, as compared to the prior year. The prior year reported a liability for the District's share of the New York State Teachers' Retirement

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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System's collective net pension liability, the actuarial calculation for the current year District's share of the New York State Teachers' Retirement System's net pension resulted in an asset.

Deferred outflow of resources decreased by \$713,973 as compared to the prior year. The deferred outflow of resources represents contributions to the state retirement plan subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Other liabilities decreased by \$2,869,843, as compared to the prior year. This decrease was primarily related to decreases in accounts payable, and in amounts due to the New York State Teachers' Retirement System.

Non-current liabilities increased by \$7,880,677, as compared to the prior year. This increase was primarily in connection with the increase in the total other postemployment benefit liability accrual. The increase was offset by the payment of principal on serial bonds. See Note 11 for additional information.

Net pension liability – proportionate share decreased by \$7,777,244 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's net pension liability at the measurement date of the respective year.

Deferred inflows of resources represent actuarial adjustments at the pension plan level that will be amortized in future years. This amount decreased by \$11,493,170, as compared to the prior year due to changes in the actuarial adjustments.

The net investment in capital assets relates to the investment in capital assets at cost such as - buildings and improvements, and furniture and equipment, net of depreciation and related debt. This increased over the prior year by \$6,454,782 due to capital acquisitions net of current year's depreciation, plus current year bond principal payments.

The restricted net position at June 30, 2018 is \$17,090,286 and is comprised of the District's restricted reserves as seen in the fund balance section on the Balance Sheet – governmental funds.

The unrestricted deficit amount of \$(174,349,901) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis and is not permitted to accumulate funds for the total OPEB liability. This deficit increased over the prior year by \$15,400,129, primarily as a result of the increase of the unfunded addition to the total OPEB liability.

The District's total net position decreased by \$9,544,251 or 9.5% to \$(109,743,333) for the year ended June 30, 2018, compared to \$(100,199,082) at June 30, 2017, as restated.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

**Changes in Net Position from Operating Results**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the MD&A, STAR (school tax relief) revenue is included in the "Property Taxes" line. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 1,975,336	\$ 1,913,523	\$ 61,813	3.2%
Operating grants	3,138,670	3,072,075	66,595	2.2%
Capital grants	417,378		417,378	N/A
General revenues:				
Property taxes and STAR	142,972,862	140,921,095	2,051,767	1.5%
Other tax items	1,414	1,222	192	15.7%
State aid	15,247,862	14,593,006	654,856	4.5%
Federal aid - medicaid reimbursement	40,808	57,252	(16,444)	-28.7%
Other	1,832,198	1,583,591	248,607	15.7%
<b>Total revenues</b>	<u>165,626,528</u>	<u>162,141,764</u>	<u>3,484,764</u>	<u>2.1%</u>
<b>Expenses</b>				
General support	23,470,124	23,078,889	391,235	1.7%
Instruction	139,475,779	135,208,412	4,267,367	3.2%
Pupil transportation	8,641,545	8,295,682	345,863	4.2%
Community services	576,939	538,594	38,345	7.1%
Debt service - interest	1,356,038	1,126,292	229,746	20.4%
School lunch program	1,650,354	1,727,381	(77,027)	-4.5%
<b>Total expenses</b>	<u>175,170,779</u>	<u>169,975,250</u>	<u>5,195,529</u>	<u>3.1%</u>
Decrease in net position	(9,544,251)	<u>\$ (7,833,486)</u>	<u>\$ (1,710,765)</u>	<u>21.8%</u>
Net position - beginning	19,967,507			
Change in accounting principle (see Note 20)	(120,166,589)			
Net position - beginning, as restated	<u>(100,199,082)</u>			
Net position - ending	<u>\$ (109,743,333)</u>			

The District's net position decreased by \$9,544,251 for the year ended June 30, 2018. The District's net position decreased by \$7,833,486 for the year ended June 30, 2017.

The District's revenues increased by \$3,484,764 for the year ended June 30, 2018. The main areas of increase were in real property taxes and STAR, capital grants and state aid.

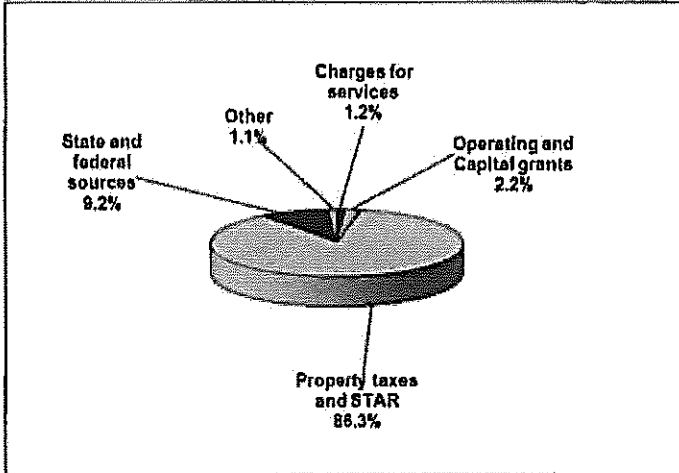
The District's expenses increased by \$5,195,529 or 3.1% for the year ended June 30, 2018. The increase was primarily the result of increases in pension expense, OPEB expense and salaries.

As indicated on the pie charts that follow, property taxes and STAR is the largest component of revenues recognized, representing 86.3% of the total revenues for the year ended June 30, 2018. Instruction expenses are the largest category of expenses incurred at 79.6% of the total expenses for the year ended June 30, 2018.

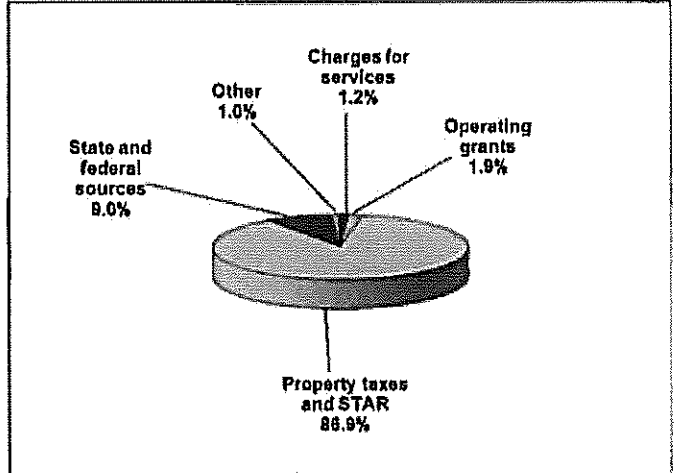
**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2018**

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

**Sources of Revenues for the Year Ended June 30, 2018**

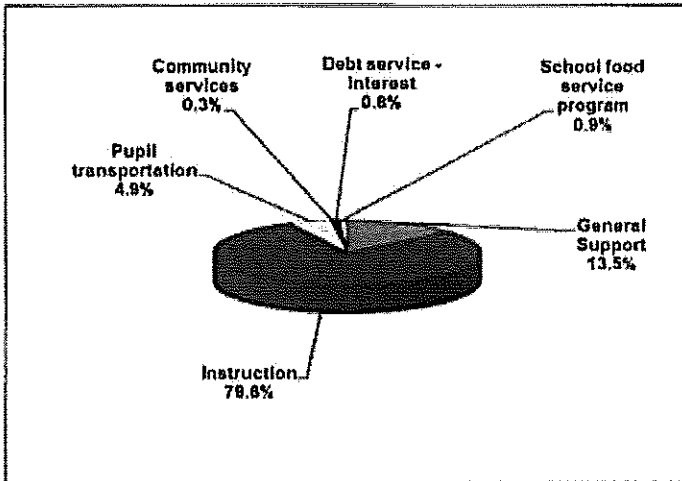


**Sources of Revenues for the Year Ended June 30, 2017**

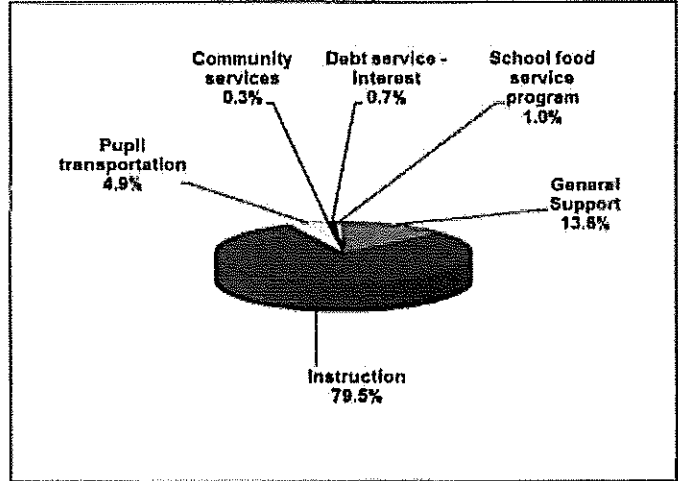


A graphic display of the distribution of expenses for the two years follows:

**Expenses for the Year Ended June 30, 2018**



**Expenses for the Year Ended June 30, 2017**



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$27,949,552, which is a decrease of \$10,088,222 from the prior year. A summary of the change in fund balance by fund is as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable:			
Prepays	\$ 1,965,171	\$ 1,829,811	\$ 135,360
Restricted:			
Capital	2,802,966	3,193,323	(390,357)
Unemployment Insurance	821,008	824,190	(3,182)
Insurance	49,957	49,694	263
Employee Benefit			
Accrued Liability	3,006,311	3,860,578	(854,267)
Workers' Compensation	2,695,673	2,408,599	287,074
Retirement Contribution	2,780,992	2,611,114	169,878
Total Restricted	<u>12,156,907</u>	<u>12,947,498</u>	<u>(790,591)</u>
Assigned	2,927,824	3,534,901	(607,077)
Unassigned	6,672,414	6,532,273	140,141
	<u>23,722,316</u>	<u>24,844,483</u>	<u>(1,122,167)</u>
<b>School Food Service Fund</b>			
Nonspendable:			
Inventory	32,526	29,010	3,516
Assigned	112,344	109,260	3,084
	<u>144,870</u>	<u>138,270</u>	<u>6,600</u>
<b>Capital Projects Fund</b>			
Restricted:			
Capital	4,933,379	9,754,111	(4,820,732)
Assigned		3,300,910	(3,300,910)
Unassigned (deficit)	(851,013)		(851,013)
	<u>4,082,366</u>	<u>13,055,021</u>	<u>(8,972,655)</u>
<b>Total Fund Balance</b>	<u>\$ 27,949,552</u>	<u>\$ 38,037,774</u>	<u>\$ (10,088,222)</u>

**General Fund**

The fund balance in the general fund decreased by \$1,122,167. This decrease was due to planned utilization of reserves and excess fund balance offset by budgetary savings. Budgetary savings were achieved because costs were lower than anticipated. The following budgetary items accounted for these savings: (1) actual utility costs for fuel oil, natural gas and electricity were less than anticipated; (2) actual contract transportation costs were less than budgeted; (3) actual salary costs were less than expected due to mid-year employee retirements and a decrease in the number of students requiring services (4) employer pension costs to the New York State Employee' Retirement System were less than budgeted and (5) expenditures for BOCES services were less than projected.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2018**

**School Food Service Fund**

The fund balance in the school food service fund increased by \$6,600, as compared to the prior year.

The general fund will continue to subsidize the school food service fund in 2018-2019 by a budgeted interfund transfer of approximately \$200,000. During the 2016-2017 school year, the Board of Education contracted with HMB Consultants to perform an assessment of the school food service program and provide recommendations for improving participation in the program. Many of the recommendations have been implemented by the School Lunch Director who continually evaluates ways to improve the program with a combined goal of reducing costs and increasing participation.

**Capital Projects Fund**

The fund balance in the capital projects fund decreased by \$8,972,655. There were transfers to the capital projects fund totaling \$2,367,000. Expenditures totaling \$11,456,780 were made for several capital projects, including the energy improvement upgrades associated with the energy performance contract, work on the exterior bleachers and the boilers at Northport High School, work on the building at Northport Middle School and replacement of the boilers at Norwood Avenue Elementary School.

**General Fund Budgetary Highlights**

**2017-18 Budget**

The District's general fund adopted budget for the year ended June 30, 2018 was \$163,306,840. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,034,901, and various budget revisions resulting in additional increases of \$1,819,324 for a total final budget of \$166,161,065.

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

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

Opening, Unassigned Fund Balance	\$ 6,532,273
Revenues Over Budget	329,136
Expenditures and Encumbrances Under Budget	3,618,683
Increase in Nonspendable Fund Balance	(135,360)
Transfer to Reserves (Restricted)	(1,272,318)
Assigned - Appropriated for 2018-19 Budget	(2,400,000)
Closing, Unassigned Fund Balance	<u>\$ 6,672,414</u>

**Opening, Unassigned Fund Balance**

The \$6,532,273 shown in the table is the portion of the District's June 30, 2017 fund balance that was reported as unassigned. This is 4.00% of the District's 2017-18 approved operating budget of \$163,306,840.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

**Revenues Over Budget**

The 2017-18 final budget for revenues and transfers was \$166,161,065. Reflected in this budget were the following components: (1) assigned fund balance in the amount of \$2,500,000; (2) appropriated fund balance reserves in the amount of \$1,162,909; (3) approved capital reserve referendum in the amount of \$900,000; (4) encumbrances rolled forward from 2016-2017 in the amount of \$1,034,901 and (5) estimated revenue of \$160,563,255. Actual revenues and other sources received for the year were \$160,892,391. The excess of actual revenues and other sources over estimated or budgeted revenues amounted to \$329,136. This reflects the net variance amount for all revenue streams combined. Significant revenue variances existed as a result of the following: (1) state aid in the amount of \$69,945 was never received due to estimates versus actuals for expenditure driven aids; (2) an additional \$212,917 was received from miscellaneous revenue due to refunds of prior year expenditures; and (3) an additional \$217,160 in use of money and property revenue was generated due to higher than projected interest rates.

**Expenditures and Encumbrances Under Budget**

The 2017-18 final budget for expenditures and transfers, including prior year open encumbrances and budget revisions amounted to \$166,161,065. Actual expenditures and transfers as of June 30, 2018 were \$162,014,558, and outstanding encumbrances were \$527,824. Combined, the expenditures plus encumbrances for 2017-18 were \$162,542,382. The final budget was under-expended by \$3,618,683. Budget categories which contributed significantly to the under-expenditure of \$3,618,683 are: (1) salaries (approximately \$830,000); (2) BOCES programs, including special education services (approximately \$870,000), (3) contract services (approximately \$470,000), (4) utility costs (approximately \$180,000), (5) diesel fuel for buses and gasoline for vehicles (approximately \$35,000); (6) benefits (approximately \$130,000) and (7) contract transportation costs (approximately \$270,000).

Expenditures and current year encumbrances under budget contribute directly to the change in the unassigned portion of the general fund - fund balance from June 30, 2017 to June 30, 2018.

**Increase in Nonspendable Fund Balance**

Nonspendable fund balance consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Increases to the nonspendable fund balance decreases the District's unassigned portion of the fund balance by the amount of the increase. The \$135,360 in the table on the previous page reflects the net increase to prepaids, specifically health, dental and ancillary insurances provided to employees and retirees.

**Transfer to Reserves (Restricted)**

Monies transferred from budget lines within the general fund operations into required reserves such as the workers' compensation reserve, the unemployment insurance reserve, capital reserve, employee benefit accrued liability reserve, and the retirement contribution reserve do not affect the combined nonspendable, restricted, assigned and unassigned fund balance unless, and until, these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfer. The \$1,272,318 in the previously presented table reflects the interest transferred into the reserves of \$59,293, plus transfers of \$500,000 into the 2018 capital reserve, \$313,025 into the retirement contribution reserve and \$400,000 into the workers' compensation reserve.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Assigned - Appropriated Fund Balance**

The District has chosen to use \$2,400,000 of its available June 30, 2018 fund balance to partially fund its 2018-19 approved operating budget. The District's long-term goal is to annually reduce the amount of the assigned fund balance. The assigned fund balance has been reduced from \$2,500,000 in 2017-2018 to \$2,400,000 in 2018-2019.

**Closing, Unassigned Fund Balance**

Based upon the summary changes shown in the table, the District will begin the 2018-19 fiscal year with an unassigned fund balance of \$6,672,414. This is an increase of \$140,141 as compared to the prior year. This is 4.00% of the District's 2018-19 approved operating budget of \$166,810,381. The District's unassigned fund balance was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2018, the District had invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, site improvements, and furniture, equipment and vehicles. The net increase in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation, at June 30, 2018 and 2017 is as follows:

<u>Category</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>% Change</u>
Land	\$ 1,336,364	\$ 1,336,364	0.0%
Construction-in-progress	5,820,815	8,765,490	-33.6%
Buildings and improvements	58,784,278	47,777,752	23.0%
Site improvements	1,913,698	1,007,305	90.0%
Furniture, equipment and vehicles	2,265,790	2,092,829	8.3%
Totals	<u>\$ 70,120,945</u>	<u>\$ 60,979,740</u>	15.0%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Capital additions for the year ended June 30, 2018 were \$12,084,734. Depreciation expense for the year totaled \$2,928,206. The loss on disposition was \$15,323.

**Debt Administration**

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's total outstanding indebtedness currently does not exceed its debt limit, which is defined as 10% of the full valuation of the taxable real property within the District. The District has exhausted .80% of its debt contracting power at June 30, 2018.

At June 30, 2018, the District had total bonds payable of \$10,530,000 and energy performance contract of \$12,074,663. The decrease in outstanding general obligation bonds represents scheduled principal payments.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

A summary of the long-term liabilities at June 30, 2018 and 2017 is as follows:

Category	6/30/18	6/30/17	% Change
General obligation bonds	\$ 10,530,000	\$ 12,465,000	-15.5%
Energy performance contract	12,074,663	12,465,659	-3.1%
Compensated absences	6,246,857	6,495,249	-3.8%
Workers' compensation claims payable	2,904,585	3,459,477	-16.0%
Total OPEB liability	212,647,895	201,637,938	5.5%
Net pension liability - proportionate share	1,576,557	9,353,801	-83.1%
<b>Totals</b>	<b>\$ 245,980,557</b>	<b>\$ 245,877,124</b>	<b>0.0%</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$166,810,381. This is an increase of \$3,503,541 or 2.15% over the previous year's adopted budget.

The District's adopted budget reflects non-property tax revenues at an increase of \$726,634 from the current year's estimate. The adopted budget reflects an increase in property tax revenues of 2.10%. The District's legally allowable tax levy limit was 2.38%. The assigned - appropriated fund balance applied to the June 30, 2019 budget to reduce taxes in the amount of \$2,400,000 is a decrease of \$100,000, as compared to the current year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities and most school districts. For fiscal years beginning in 2012, no school district is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however there are permitted exceptions and adjustments. School districts can exceed the tax levy limit only by a 60% favorable vote by District's budget voters. The 2.10% increase in the property tax levy for 2018-2019 is in compliance with Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions.

The Long Island Power Authority has initiated a tax certiorari proceeding to challenge their property tax assessment. The result of such a challenge could have a considerable impact on the District's residential property taxes and future school district budgets. The Northport Power Plant currently pays approximately \$53.8 million in taxes to the Northport-East Northport School District. The plant's assessed valuation represents approximately 37.9% of the total assessed valuation of the School District. The District filed suit against LIPA in May 2011 alleging a breach of contract after LIPA filed the tax certiorari. In July of 2015, a state appellate court sided with the School District in its case challenging LIPA's efforts to reduce the tax assessment of the power plant. A reduction in the school taxes paid by LIPA would cause a shift in the tax burden to the District's residential tax base and could impact future budgets. The impact would be contingent upon the amount of LIPA's property tax assessment reduction. Any award of back taxes payable to LIPA as a result of the proceeding would not be the responsibility of the District.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2018

**CONTACTING THE DISTRICT**

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

Northport – East Northport Union Free School District  
ATTN: Robert Howard  
Assistant Superintendent for Business  
P.O. Box 210  
Northport, New York 11768  
(631) 262-6632

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2018

**ASSETS**

Cash	
Unrestricted	\$ 18,713,269
Restricted	17,090,286
Receivables	
Due from state and federal	4,271,071
Due from other governments	218,783
Due from fiduciary funds	203,371
Other	43,625
Inventories	32,526
Prepaid expenditures	1,965,171
	<hr/>
Total Current Assets	42,538,102
	<hr/>
Non-depreciable capital assets	7,157,179
Depreciable capital assets, net of depreciation	62,963,766
Net pension asset-proportionate share	3,214,018
	<hr/>
Total Non-Current Assets	73,334,963
	<hr/>
Total Assets	115,873,065

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	49,126,112
	<hr/>
Total Deferred Outflows of Resources	49,126,112

**LIABILITIES**

Accounts payable	3,882,950
Accrued liabilities	890,141
Due to other governments	222,908
Interest payable	239,110
Due to teachers' retirement system	7,012,263
Due to employees' retirement system	750,673
Compensated absences	842,398
Unearned revenue	400,345
Non-current liabilities	
Due and payable within one year:	
General obligation bonds payable	1,995,000
Energy performance contract payable	565,722
Compensated absences payable	312,343
Workers' compensation claims payable	575,000
Due and payable after one year:	
General obligation bonds payable	8,535,000
Energy performance contract payable	11,508,941
Compensated absences payable	5,934,514
Workers' compensation claims payable	2,329,585
Total other postemployment benefit liability	212,647,895
Net pension liability - proportionate share	1,576,557
	<hr/>
Total Liabilities	260,221,345

**DEFERRED INFLOWS OF RESOURCES**

Pensions	14,521,165
	<hr/>
Total Deferred Inflows of Resources	14,521,165

**NET POSITION**

Net investment in capital assets	47,516,282
Restricted	17,090,286
Unrestricted (deficit)	(174,349,901)
	<hr/>
Total Net Position (Deficit)	\$ (109,743,333)

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 23,470,124				\$ 23,470,124
Instruction	139,475,779	\$ 844,070	\$ 2,750,723	\$ 417,378	135,463,608
Pupil transportation	8,641,545				8,641,545
Community service	576,939				576,939
Debt service - interest	1,356,038				1,356,038
School food service program	1,650,354	1,131,266	387,947		131,141
Total Functions and Programs	<u>\$ 175,170,779</u>	<u>\$ 1,975,336</u>	<u>\$ 3,138,670</u>	<u>\$ 417,378</u>	<u>169,639,395</u>
<b>GENERAL REVENUES</b>					
Real property taxes					134,524,663
School tax relief reimbursement					8,448,199
Other tax items					1,414
Use of money and property					472,502
Sale of property and compensation for loss					133,772
State sources					15,247,862
Medicaid reimbursement					40,808
Miscellaneous					1,225,924
Total General Revenues					<u>160,095,144</u>
Change in Net Position					(9,544,251)
Total Net Position - Beginning of year					<u>19,967,507</u>
Cumulative effect of change in accounting principle (See note 20)					<u>(120,166,589)</u>
Total Net Position (Deficit) - Beginning of year, as restated					<u>(100,199,082)</u>
Total Net Position (Deficit) - End of year					<u>\$ (109,743,333)</u>

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2018

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 17,663,387	\$ 897,670	\$ 152,212		\$ 18,713,269
Restricted	16,634,860			\$ 455,426	17,090,286
Receivables					
Due from state and federal	2,685,037	996,474		589,560	4,271,071
Due from other governments	218,783				218,783
Due from other funds	2,366,465	563,341	19,588	4,444,145	7,393,539
Due from fiduciary funds	203,371				203,371
Accounts receivable	12,389		31,236		43,625
Inventories			32,526		32,526
Prepaid expenditures	1,965,171				1,965,171
<b>Total Assets</b>	<b>\$ 41,749,463</b>	<b>\$ 2,457,485</b>	<b>\$ 235,562</b>	<b>\$ 5,489,131</b>	<b>\$ 49,931,641</b>
<b>LIABILITIES</b>					
Current and non-current liabilities					
Accounts payable	\$ 2,889,544	\$ 46,511	\$ 12,565	\$ 934,330	\$ 3,882,950
Accrued liabilities	871,433	11,445	7,263		890,141
Due to other funds	5,027,075	2,355,693	10,771		7,393,539
Due to other governments	221,457	1,369	82		222,908
Due to teachers' retirement system	7,012,263				7,012,263
Due to employees' retirement system	750,673				750,673
Compensated absences	842,398				842,398
Unearned revenues	297,867	42,467	60,011		400,345
<b>Total Liabilities</b>	<b>17,912,710</b>	<b>2,457,485</b>	<b>90,692</b>	<b>934,330</b>	<b>21,395,217</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	114,437			472,435	586,872
<b>Total Deferred Inflows of Resources</b>	<b>114,437</b>	<b>-0-</b>	<b>-0-</b>	<b>472,435</b>	<b>586,872</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventory			32,526		32,526
Prepays	1,965,171				1,965,171
Restricted					
Capital	2,802,966			4,933,379	7,736,345
Unemployment Insurance	821,008				821,008
Insurance	49,957				49,957
Employee Benefit Accrued Liability	3,006,311				3,006,311
Workers' Compensation	2,695,673				2,695,673
Retirement Contribution	2,780,992				2,780,992
Assigned					-
Assigned Appropriated	2,400,000				2,400,000
Assigned Unappropriated	527,824		112,344		640,168
Unassigned	6,672,414			(851,013)	5,821,401
<b>Total Fund Balances</b>	<b>23,722,316</b>	<b>-0-</b>	<b>144,870</b>	<b>4,082,366</b>	<b>27,949,552</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 41,749,463</b>	<b>\$ 2,457,485</b>	<b>\$ 235,562</b>	<b>\$ 5,489,131</b>	<b>\$ 49,931,641</b>

See Notes to Financial Statements.



**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
June 30, 2018

Total Governmental Fund Balances		\$ 27,949,552
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets - non-depreciable	\$ 7,157,179	
Capital assets - depreciable	117,740,555	
Accumulated depreciation	<u>(54,776,789)</u>	70,120,945
Non-current liabilities and certain items relating to non-current liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	(239,110)	
General obligation bonds payable	(10,530,000)	
Energy performance contract payable	(12,074,663)	
Compensated absences payable	(6,246,857)	
Workers' compensation claims payable	(2,904,585)	
Total other postemployment benefit liability	<u>(212,647,895)</u>	(244,643,110)
Revenue that was deferred on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is not deferred in the Statement of Net Position.		586,872
Certain amounts reported for the proportionate share of the District's pension asset and/or deferred outflows are not considered a current available resource and are therefore not reported in the fund:		
Net pension asset-proportionate share	3,214,018	
Pensions - deferred outflows	<u>49,126,112</u>	52,340,130
Certain amounts reported for the proportionate share of the District's pension liabilities and/or deferred inflows are not due and payable in the current period and accordingly are not reported in the funds.		
Net pension liability-proportionate share	(1,576,557)	
Pensions - deferred inflows	<u>(14,521,165)</u>	(16,097,722)
Net Position (Deficit) of Governmental Activities		<u>\$ (109,743,333)</u>

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 134,524,663				\$ 134,524,663
School tax relief reimbursement	8,448,199				8,448,199
Other tax items	1,414				1,414
Charges for services	823,927				823,927
Use of money and property	471,160		\$ 1,342		472,502
Sale of property and compensation for loss	133,772				133,772
State aid	15,247,862	\$ 1,067,081	18,085	117,125	16,450,153
Sales			1,131,266		1,131,266
Miscellaneous	958,459	8,471	25,338		992,268
Federal aid - Medicaid reimbursement	40,808				40,808
Federal aid		1,675,171	271,579		1,946,750
Surplus food			98,283		98,283
<b>Total Revenues</b>	<b>160,650,264</b>	<b>2,750,723</b>	<b>1,545,893</b>	<b>\$ 117,125</b>	<b>165,064,005</b>
<b>EXPENDITURES</b>					
General support	17,584,503				17,584,503
Instruction	90,916,852	3,056,533			93,973,385
Pupil transportation	7,855,490	308,516			8,164,006
Community service	426,830				426,830
Employee benefits	38,269,007		292,323		38,561,330
Debt service					
Principal	2,325,996				2,325,996
Interest	1,534,966				1,534,966
Cost of sales			1,366,558		1,366,558
Capital outlay				11,456,780	11,456,780
<b>Total Expenditures</b>	<b>158,913,644</b>	<b>3,365,049</b>	<b>1,658,881</b>	<b>11,456,780</b>	<b>175,394,354</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,736,620	(614,326)	(112,988)	(11,339,655)	(10,330,349)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Premium on short term obligations	242,127				242,127
Operating transfers in		614,326	119,588	2,367,000	3,100,914
Operating transfers (out)	(3,100,914)				(3,100,914)
<b>Total Other Sources (Uses)</b>	<b>(2,858,787)</b>	<b>614,326</b>	<b>119,588</b>	<b>2,367,000</b>	<b>242,127</b>
<b>Net change in fund balance</b>	<b>(1,122,167)</b>	<b>-0-</b>	<b>6,600</b>	<b>(8,972,655)</b>	<b>(10,088,222)</b>
Fund balance - Beginning of year	24,844,483	-0-	138,270	13,055,021	38,037,774
Fund balance - End of year	\$ 23,722,316	\$ -0-	\$ 144,870	\$ 4,082,366	\$ 27,949,552

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

Net Changes in Fund Balances - Total Governmental Funds \$ (10,088,222)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Long-term revenue and expense differences

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenue in the funds.

State aid	\$ 300,253	
Charges for services	20,143	320,396

Certain expenditures in the governmental funds requiring the use of current  
financial resources (amounts paid) may exceed the amounts incurred  
during the year, resulting in a reduction of the long-term liability and an  
increase in net position.

Compensated absences payable	248,392	
Workers' compensation claims payable	554,892	803,284

Pension differences

(Increases)/decreases in the proportionate share of net pension assets/liabilities and  
related deferred inflows and outflows reported in the Statement of Activities do not  
provide for or require the use of current financial resources and, therefore, are not  
reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	(1,412,049)	
Employees' Retirement System	196,168	(1,215,881)

Other postemployment benefit (OPEB) differences

(Increases)/decreases in the District's total OPEB liability do not provide for  
or require the use of current financial resources and, therefore, are not  
reported as revenues or expenditures in the governmental funds.

(11,009,957)

Capital related differences

Governmental funds report capital outlays as expenditures while  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense:

Capital outlay	12,084,734	
Depreciation expense	(2,928,206)	9,156,528

The net effect of various miscellaneous transactions involving  
capital assets related to sales, trade-ins and disposals  
is to decrease net position.

(15,323)

Long-term debt transaction differences

Repayment of principal is an expenditure in the governmental funds,  
but the repayment reduces the long-term liabilities in the Statement  
of Net Position.

Repayment of bond principal	1,935,000	
Repayment of energy performance contract	390,996	2,325,996

Interest on long-term debt in the Statement of Activities differs from the amount  
reported in the governmental funds because interest is recorded as an  
expenditure in the funds when it is due, and thus requires the use of  
current financial resources. In the Statement of Activities, however, interest  
expense is recognized as the interest accrues, regardless of when it is due.  
Accrued interest decreased from June 30, 2017 to June 30, 2018.

178,928

Change in Net Position of Governmental Activities

\$ (9,544,251)

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2018

	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 58,783	\$ 1,613,474
Total Assets	<u>\$ 58,783</u>	<u>\$ 1,613,474</u>
<b>LIABILITIES</b>		
Due to governmental funds		\$ 203,371
Extraclassroom activity balances		302,590
Other liabilities		<u>1,107,513</u>
Total Liabilities	<u>-0-</u>	<u>\$ 1,613,474</u>
<b>NET POSITION</b>		
Restricted for scholarships	58,783	
Total Net Position	<u>\$ 58,783</u>	

See Notes to Financial Statements.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
For the Year Ended June 30, 2018

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 18,445
Investment earnings	<u>168</u>
Total Additions	<u>18,613</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>25,169</u>
Total Deductions	<u>25,169</u>
Change in Net Position	(6,556)
Net Position - Beginning of year	<u>65,339</u>
Net Position - End of year	<u><u>\$ 58,783</u></u>

See Notes to Financial Statements.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**Extraclassroom Activity Funds**

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

**B. Joint Venture**

The District is one of many participating school districts in the Board of Cooperative Educational Services of Western Suffolk ("BOCES"). BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES participant.

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their participating member boards in accordance with provisions of Section 1950(6) of the New York State Education Law. All BOCES property is held by the BOCES Board as a

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

corporation under Section 1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n (a) of the New York State General Municipal Law.

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

**C. Basis of Presentation**

**District-Wide Financial Statements**

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

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

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

**Governmental Funds:**

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

**Special Revenue Funds** – This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**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 by either governments that provide the funds, or by outside parties.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

**School Food Service Fund** – This fund is used to account for the activities of the food service program.

**Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition, construction, or major repair of capital facilities.

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

The district-wide and fiduciary fund financial statements are reported 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 transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension costs, compensated absences, and other postemployment benefits (OPEB), 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.



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

**E. Use of Estimates**

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

**F. Cash and Cash Equivalents/Investments**

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 date of acquisition.

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

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.

**G. Real Property Taxes**

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

Uncollected real property taxes are the responsibility of the County of Suffolk. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District in June.

**H. 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.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

**I. Receivables**

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

**J. Interfund Transactions**

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

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

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

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

**K. Inventories and Prepaid Items**

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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 amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. A reserve for prepaids has been recognized to indicate that this does not constitute available spendable resources.

**L. Capital Assets**

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 1,000	Straight line	20-50 years
Site improvements	\$ 1,000	Straight line	20 years
Furniture, equipment and vehicles	\$ 1,000	Straight line	5-20 years

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 government has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. This represents the difference between expected and actual experience (TRS and ERS), changes of assumptions (TRS and ERS), differences between projected and actual earnings on pension plan investments (ERS), the effect of the net change in the District's proportion and difference between employer contributions and proportionate share of contributions (TRS and ERS), and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. See Note 12.

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, deferred inflows of resources, 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 has one item that qualifies for reporting in this category. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (TRS and ERS), the net difference between projected and actual investment earnings on pension plan investments (TRS and ERS), and the effect of the net change in the District's proportion and difference between employer contributions and proportionate share of contributions (TRS and ERS). See Note 12.

**N. Unearned Revenues**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unavailable revenues is removed and revenues are recognized. At June 30, 2018, the District recorded unearned revenues in the general fund of \$297,867 for summer program fees, \$42,467 in the special aid fund for local grants where expenditures have not been incurred and \$60,011 in the school food service fund for prepaid lunch amounts.

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**O. Vested Employee Benefits**

**Compensated Absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within required time periods.

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

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

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

**P. Other Benefits**

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employee contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. Other postemployment benefits costs are measured and disclosed using the accrual basis of accounting in the district-wide financial statements. See Note 14.

**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. One TAN was issued and repaid during the year ended June 30, 2018.

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The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a liability of the fund 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. No BANs were outstanding at June 30, 2018.

**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. Workers' compensation claims and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent they have matured. 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 and payable in one year or due and payable in more than one year in the Statement of Net Position.

**S. Equity Classifications**

**District-Wide Statements**

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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

**Fund Statements**

In the fund basis 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.

**Nonspendable** - Includes amounts that cannot be spent because they are either not in spendable form, not available within a year, or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$32,526 and prepaid expenditures in the general fund of \$1,965,171.

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**Restricted** - 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 established the following restricted fund balances:

**Capital**

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

**Unemployment Insurance Reserve**

The 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 60 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**

The 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.

**Employee Benefit Accrued Liability Reserve**

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

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appropriated. This reserve is accounted for in the general fund under Restricted Fund Balance.

**Workers' Compensation Reserve**

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

**Retirement Contribution Reserve**

The retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The reserve must be accounted for separate and apart from all other funds and a detail report of the operations and condition of the fund must be provided to the Board. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounted for in the general fund under Restricted Fund Balance.

**Restricted for Scholarships**

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

**Committed** – 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.

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are not restricted. Assigned fund balance includes encumbrances reported in the general fund in the amount of \$527,824 and \$2,400,000 of appropriated fund balance applied to the June 30, 2019 budget to reduce taxes. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

**Unassigned** - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are

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excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Deficit Fund Balances**

The capital projects fund has a deficit unassigned fund balance of \$851,013. This will be eliminated when the District receives permanent financing of serial bonds.

**Order of Use of Fund Balance**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T. New Accounting Standards**

The District has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended June 30, 2018, The District adopted the following:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. 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 20 for more information.

**U. Future Changes in Accounting Standards**

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 83, *Certain Asset Retirement Obligations*, the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the District for the year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities*, the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of the new Statement become effective for the District for the year ending June 30, 2020.

Statement No. 87, *Leases*, the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending June 30, 2021.



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

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the objective of which is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for financial statements for the year ending June 30, 2021.

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 these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic 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. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories.

**Long-Term Revenue and Expense Differences**

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

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**Pension Differences**

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

**Other postemployment benefit (OPEB) Differences**

OPEB differences occur as a result of recognizing OPEB costs under the modified accrual basis of accounting versus the accrual basis of accounting.

**Capital Related Differences**

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

**Long-Term Debt Transaction Differences**

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

Appropriations are established by the adoption of the budget, and are recorded at the program line-item level, and constitute a limitation on expenditures (and encumbrances) that 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. The following supplemental appropriations occurred during the year:

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Various general and instructional expenditures funded by donations	\$ 120,042
Additional appropriation of Employee Benefit Accrued Liability Reserve	799,282
Voter approved Proposition 2 on May 15, 2018, transfer to capital for various improvements from the Capital Reserve	<u>900,000</u>
Total	<u>\$ 1,819,324</u>

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, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

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

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

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.

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2018, the District was billed \$10,294,794 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,023,656. Financial

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
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statements for BOCES are available from the BOCES administrative offices at 507 Deer Park Road, P.O. Box 8007, Huntington Station, New York 11746-9007.

**6. DUE FROM STATE AND FEDERAL AID**

Due from state and federal aid at June 30, 2018, consisted of:

General Fund:

Excess Cost Aid	\$	661,381
BOCES Aid		<u>2,023,656</u>
Total General Fund		<u>2,685,037</u>

Special Aid Fund:

Federal and State Grants	<u>996,474</u>
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Capital Projects Fund:

EXCEL Aid	172,182
SMART Schools Bond Act	<u>417,378</u>
Total Capital Projects Fund	<u>589,560</u>

Total Due from State and Federal	<u>\$</u>	<u>4,271,071</u>
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**7. DUE FROM OTHER GOVERNMENTS**

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

General Fund:

Tuition from other Districts	\$	212,303
BOCES		6,000
IRS Refunds		<u>480</u>
	<u>\$</u>	<u>218,783</u>

**NORTHEAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
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**8. CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Governmental activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 1,336,364			\$ 1,336,364
Construction in progress	8,765,490	11,456,780	(14,401,455)	5,820,815
Total nondepreciable assets	<u>10,101,854</u>	<u>11,456,780</u>	<u>(14,401,455)</u>	<u>7,157,179</u>
Capital assets that are depreciated:				
Buildings and improvements	92,750,114	13,343,256		106,093,370
Site improvements	3,037,002	1,058,199		4,095,201
Furniture, equipment and vehicles	7,003,111	627,954	(79,081)	7,551,984
Total depreciable assets	<u>102,790,227</u>	<u>15,029,409</u>	<u>(79,081)</u>	<u>117,740,555</u>
Less accumulated depreciation:				
Buildings and improvements	44,972,362	2,336,730		47,309,092
Site improvements	2,029,697	151,806		2,181,503
Furniture, equipment and vehicles	4,910,282	439,670	(63,758)	5,286,194
Total accumulated depreciation	<u>51,912,341</u>	<u>2,928,206</u>	<u>(63,758)</u>	<u>54,776,789</u>
Total capital assets being depreciated, net	<u>50,877,886</u>	<u>12,101,203</u>	<u>(15,323)</u>	<u>62,963,766</u>
Total capital assets, net	<u>\$ 60,979,740</u>	<u>\$23,557,983</u>	<u>\$ (14,416,778)</u>	<u>\$70,120,945</u>
Depreciation expense and loss on disposal was charged to governmental functions as follows:				
General support				\$ 500,861
Instruction				2,310,691
Pupil Transportation				115,935
Community service				9,704
School Food Service				6,338
Total governmental activities depreciation expense				<u>\$ 2,943,529</u>

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2018, the District has not recorded any such impairment losses.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
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**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 2,366,465	\$ 5,027,075		\$ 3,100,914
Special Aid Fund	563,341	2,355,693	\$ 614,326	
School Food Service Fund	19,588	10,771	119,588	
Capital Projects Fund	4,444,145		2,367,000	
	<u>7,393,539</u>	<u>7,393,539</u>	<u>\$ 3,100,914</u>	<u>\$ 3,100,914</u>
General Fund	203,371			
Agency Fund		203,371		
	<u>\$ 7,596,910</u>	<u>\$ 7,596,910</u>		

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the general fund to the special aid fund, school food service fund and the capital projects fund in accordance with the general fund budget. The transfer to the special aid fund was for the District's share of the cost for the summer handicapped program and 4201 program. The transfer to the school food service fund was to fund current and prior year losses. The transfer to the capital projects fund was for District-wide improvements.

**10. SHORT-TERM DEBT**

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

	Balance July 1, 2017	Issued	Redeemed	Balance June 30, 2018
TAN matured 6/27/18 at 2.00%	\$ -0-	\$ 32,500,000	\$ 32,500,000	\$ -0-

Interest paid on short-term debt for the year was \$525,417. The premium received for the year was \$242,127, resulting in a net interest cost of \$283,290.

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**11. LONG-TERM DEBT**

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

	Beginning balance	Additions	Reductions	Ending balance	Non-current liabilities due within one year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 12,465,000		\$ 1,935,000	\$ 10,530,000	\$ 1,995,000
Other liabilities:					
Energy performance contract	12,465,659		390,996	12,074,663	565,722
Compensated absences	6,495,249	594,006	842,398	6,246,857	312,343
Workers' compensation	3,459,477	764,123	1,319,015	2,904,585	575,000
Total OPEB liability *	201,637,938	16,156,065	5,146,108	212,647,895	
Net Pension Liability - proportionate share	9,353,801		7,777,244	1,576,557	
Total long-term liabilities	<u>\$ 245,877,124</u>	<u>\$ 17,514,194</u>	<u>\$ 17,410,761</u>	<u>\$ 245,980,557</u>	<u>\$ 3,448,065</u>

\* Beginning balance, as restated

The general fund has typically been used to liquidate compensated absences, workers' compensation, other postemployment benefits, and pension liabilities when they become due.

Existing serial bond obligations:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/18
Serial bond - refunding	February 2013	April 2022	2.00-4.00%	\$ 6,505,000
Serial bond - refunding	February 2013	August 2025	2.00-4.00%	4,025,000
				<u>\$ 10,530,000</u>

The following is a summary of debt service requirements:

	Principal	Interest	Total
Fiscal year ended June 30, 2019	\$ 1,995,000	\$ 394,650	\$ 2,389,650
2020	2,050,000	332,300	2,382,300
2021	2,125,000	249,900	2,374,900
2022	2,195,000	164,600	2,359,600
2023	510,000	76,400	586,400
2024-2026	1,655,000	101,100	1,756,100
Total	<u>\$ 10,530,000</u>	<u>\$ 1,318,950</u>	<u>\$ 11,848,950</u>

The District entered into an agreement for an energy performance contract on October 21, 2016 for \$12,465,659. The proceeds will be used for various capital improvements and are being financed over 18 years at an interest rate of 3.20%, maturing September 2034. The assets and related obligations are accounted for in the government-wide financial statements and are included in the summary for capital assets.

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The following is a summary of energy performance contract obligations:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30, 2019	\$ 565,722	\$ 381,899	\$ 947,621
2020	583,970	363,651	947,621
2021	602,806	344,815	947,621
2022	622,250	325,371	947,621
2023	642,322	305,299	947,621
2024-2028	3,536,083	1,202,023	4,738,106
2029-2033	4,144,380	593,726	4,738,106
2034-2035	1,377,130	44,302	1,421,432
Total	<u>\$ 12,074,663</u>	<u>\$ 3,561,086</u>	<u>\$ 15,635,749</u>

Interest on long-term debt for the year ended June 30, 2018 was composed of:

Interest paid	\$ 1,009,549
Less: interest accrued in the prior year	(418,038)
Plus: interest accrued in the current year	239,110
Total interest expense on long-term debt	<u>\$ 830,621</u>

## 12. PENSION PLANS

### A. Pension Obligations

The District participates in New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

### B. Plan Descriptions and Benefits Provided

#### Teachers' Retirement System (TRS)

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



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**Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System.

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

**C. Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who contribute 3.0 (ERS) to 3.5 (TRS) percent of their salary for their entire length of service. In addition, employee contribution rates that joined after April 1, 2012 are required to contribute between 3% and 6% depending on their salary through active membership. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year	ERS	TRS
2017-2018	\$ 2,480,484	\$ 6,769,019
2016-2017	2,462,134	7,856,255
2015-2016	2,606,198	8,613,769

**D. Pension Liabilities, Assets, Pension Expense, 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) were 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

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projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (1,576,557)	\$ 3,214,018
District's portion of the Plan's total net pension asset/(liability)	0.0488485%	0.4228420%
Change in proportion since the prior measurement date	-0.0010944	-0.0123470

For the year ended June 30, 2018, the District's recognized pension expense of \$2,285,244 for ERS and \$8,189,642 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:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 562,307	\$ 2,644,347	\$ 464,669	\$ 1,253,108
Changes of assumptions	1,045,387	32,703,258		
Net difference between projected and actual earnings on pension plan investments	2,289,824		4,519,883	7,569,942
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,017,577	1,335,674	75,217	638,346
District's contributions subsequent to the measurement date	<u>750,673</u>	<u>6,777,065</u>		
Total	<u>\$ 5,665,768</u>	<u>\$ 43,460,344</u>	<u>\$ 5,059,769</u>	<u>\$ 9,461,396</u>

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

	<u>ERS</u>	<u>TRS</u>
Year ending June 30, 2019	\$ 716,760	\$ 852,979
2020	525,585	8,761,498
2021	(954,915)	6,300,928
2022	(432,104)	1,646,307
2023	-0-	6,282,913
Thereafter	-0-	3,377,258

**E. Actuarial Assumptions**

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

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Significant actuarial assumptions used in the valuations were as follows:

	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	3.8%	4.72% - 1.90%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustment	1.3%	1.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis.

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

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions Measuring Pension Obligations*, which includes using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation, as of the actuarial valuation date, are summarized in the following table:

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<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2017</u>		<u>June 30, 2016</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
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%
	<u>100%</u>		<u>100%</u>	

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). 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.

**G. Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption**

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

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ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (11,928,654)	\$ (1,576,557)	\$ 7,180,904
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share Of the net pension asset/(liability)	\$ (55,368,010)	\$ 3,214,018	\$ 52,273,558

#### H. Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ (183,400,590)	\$ (114,708,261)
Plan Net Position	180,173,145	115,488,360
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%

#### I. 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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$750,673.

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. 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 covered wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$6,777,065 of employer contributions and \$235,198 of employee contributions.

#### 13. OTHER PENSION PLANS

##### 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 \$608,444 and \$4,621,528 respectively.

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**14. OTHER POSTEMPLOYMENT BENEFITS THAN PENSIONS (OPEB)**

**A. 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. All active employees and retirees are covered by the Empire Plan (Core Plus Enhancements), a community related PPO, administered by the New York State Health Insurance Program (NYSHIP). 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.

**B. 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 50% and 85% of premiums for retirees, between 35% and 85% for family coverage depending on the coverage selected, date of retirement and bargaining unit. Upon death of a retiree, the District will only continue the Medicare Part B reimbursement for the surviving spouse. 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 \$5,146,108 to the Plan, including \$5,146,108 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.

**C. Employees Covered by Benefit Terms**

The number of participants as of July 1, 2017, the effective date of the OPEB valuation, is as follows:

	<u>Participants</u>
Active employees	1,013
Inactive employees or beneficiaries currently receiving benefit payments	702
Inactive employees entitled to but not yet receiving benefit payments	<u>3</u>
Total	<u>1,718</u>

There have been no significant changes in the number of participants or the type of coverage since the last published valuation.

**D. Total OPEB Liability**

The District's total OPEB liability of \$212,647,895 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017, with update procedures used to rollforward the OPEB liability to the measurement date.

**E. Funding Policy**

The District currently pays for other postemployment benefits on a pay-as-you-go basis.

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**F. Actuarial Assumptions and Other Inputs**

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

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs:

Salary increases	2.5%
Discount rate	3.6%
Healthcare cost trend rates	8.0% for January 1, 2019, decreasing per year to an ultimate rate of 5.0% in 2025

The discount rate was based on the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments as of June 29, 2018 for the rate as of June 30, 2018. The discount rate as of July 1, 2017 was based on the same index as of July 1, 2017.

Mortality rates were based on the RP 2014 projected to date of decrement using Scale MP-2014.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS).

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable.

**G. Changes in the Total OPEB Liability**

The following table shows the components of the District's other postemployment benefits liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	<u>\$ 201,637,938</u>
Changes for the year:	
Service cost	8,897,099
Interest	7,258,966
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(5,146,108)</u>
Net changes	<u>11,009,957</u>
Balance at June 30, 2018	<u><u>\$ 212,647,895</u></u>

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**H. 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 (2.6%) or 1-percentage-point higher (4.6%) than the current discount rate:

	One Percent Decrease (2.60%)	Current Discount Rate (3.60%)	One Percent Increase (4.60%)
Total OPEB liability	\$ 254,798,374	\$212,647,895	\$ 179,916,381

**I. Sensitivity of the Total OPEB liability to changes in the healthcare cost trend 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 healthcare cost trend rates that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current discount rate:

	One Percent Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	One Percent Increase (9.0% decreasing to 6.0%)
Total OPEB liability	\$ 174,582,484	\$212,647,895	\$ 263,127,998

**J. OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$16,156,065. At June 30, 2018, the District reported no deferred outflows or inflows of resources, as it was the first year of implementation for GASB Statement No. 75.

**15. COMPENSATED ABSENCES**

District employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. As of June 30, 2018, the value of the accumulated vacation time and sick leave was \$7,089,255, of which \$842,398 is recorded as compensated absences in the general fund.

**16. RISK MANAGEMENT**

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



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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 claims that have been incurred, but not reported (IBNR).

Claim liabilities are discounted at an estimated interest rate of 3%, and are calculated considering the effect of inflation, recent claim settlement trends including frequency and amounts of payouts, and other economic and social factors. The District has not purchased any annuity contracts with regard to its workers' compensation claims. The District has a reserve for workers' compensation in the general fund of \$2,695,673 to pay related claims. Changes in the balances of claim liabilities for workers' compensation during the past two fiscal years are as follows:

	2018	2017
Unpaid claims at beginning of year	\$ 3,459,477	\$ 3,256,006
Incurred claims and claim adjustments	764,123	1,649,525
Claim payments	<u>(1,319,015)</u>	<u>(1,446,054)</u>
Unpaid claims at year end	<u>\$ 2,904,585</u>	<u>\$ 3,459,477</u>

**17. FUND BALANCES – ASSIGNED: APPROPRIATED FOR SUBSEQUENT YEAR'S BUDGET**

The amount of \$2,400,000 has been assigned as the amount to be appropriated to reduce taxes for the year ending June 30, 2019.

**18. FUND BALANCES – RESTRICTED: APPROPRIATED RESERVES**

The District has appropriated the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Employee benefit accrued liability	\$ 50,000
Workers' compensation	90,000
Unemployment	5,000
Retirement contributions	<u>89,969</u>
	<u>\$ 234,969</u>

**19. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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**C. Operating Leases**

The District leases various equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2018, were \$18,276. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ <u>9,001</u>
	\$ <u>9,001</u>

**D. Encumbrances**

At June 30, 2018, the District encumbered the following amounts:

Restricted:	
Capital Projects Fund	
Capital Projects	\$ <u>5,507,895</u>
Assigned:	
General Fund	
General Support	380,766
Instruction	145,051
Pupil Transportation	1,932
Community Services	75
	<u>527,824</u>
School Food Service Fund	
School Food Service	<u>35,278</u>
Capital Projects Fund	
Capital Projects	<u>282,962</u>
Total Encumbrances	\$ <u>6,353,959</u>

**20. CHANGES IN ACCOUNTING PRINCIPLE**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of the Statement resulted in the retroactive reporting of the total other postemployment benefits (OPEB) liabilities and the reporting of current year OPEB expenses, in the District's government-wide statements. The District's June 30, 2017 governmental activities net position was restated for the increase in the total OPEB liability by \$120,166,589, from net position of \$19,967,507 previously reported to \$(100,199,082).

**21. SUBSEQUENT EVENT**

On September 5, 2018, the District issued tax anticipation notes in the amount of \$32,500,000, which are due June 27, 2019 and bear an effective net interest rate of 1.9422%.

## SUPPLEMENTARY INFORMATION

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual		Variance With Final Budget
<b>REVENUES</b>					
Local Sources:					
Real property taxes	\$ 134,722,408	\$ 134,524,207	\$ 134,524,663		\$ 456
School tax relief reimbursement	8,250,000	8,448,199	8,448,189		-0-
Other tax items	-0-	-0-	1,414		1,414
Charges for services	858,500	858,500	823,927		(34,573)
Use of money and property	254,000	254,000	471,160		217,160
Sale of property and compensation for loss	165,000	165,000	133,772		(31,228)
Miscellaneous	625,500	745,542	958,458		212,917
Total Local Sources	144,875,408	144,995,448	145,381,594		386,146
State aid	15,317,807	15,317,807	15,247,862		(69,945)
Federal aid - Medicaid reimbursement	50,000	50,000	40,808		(9,192)
Total Revenues	160,243,213	160,363,255	160,650,264		287,009
<b>OTHER FINANCING SOURCES</b>					
Premium on short term obligations	200,000	200,000	242,127		42,127
Total Financing Sources	\$ 200,000	\$ 200,000	242,127		42,127
Assigned fund balance	3,534,801	3,534,801			
Appropriated reserves	363,627	2,082,909			
Total Revenues, other financing sources and Assigned and Appropriated Fund Balance	\$ 164,341,741	\$ 166,181,065	160,892,391		\$ 329,136
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 288,608	\$ 303,104	298,429		\$ 4,675
Central administration	335,848	339,908	333,623		6,285
Finance	1,353,870	1,348,489	1,214,349	\$ 43,211	\$ 91,929
Staff	1,177,654	1,460,356	1,443,653		14,703
Central services	13,973,059	14,120,276	13,219,800	337,555	562,921
Special items	1,157,345	1,152,345	1,072,649		79,696
Total General Support	18,288,382	18,725,478	17,584,503	380,768	760,209
Instruction					
Instruction, administration and improvement	7,159,088	7,351,009	7,132,430	7,356	211,223
Teaching - regular school	50,391,364	49,830,889	49,328,249	128,900	373,720
Programs for children with handicapping conditions	21,459,808	21,788,536	20,698,899	6,724	1,084,913
Occupational education	491,057	484,985	484,825		140
Teaching - special school	519,463	519,865	433,067		86,798
Instructional media	4,399,059	4,513,565	4,481,891	865	50,809
Pupil services	8,608,332	8,673,156	8,379,491	1,206	292,459
Total Instruction	93,028,151	93,161,965	90,916,852	145,051	2,100,062
Pupil Transportation	8,742,354	8,331,447	7,855,480	1,932	474,025
Community Services	449,559	444,459	428,830	75	17,854
Employee Benefits	37,616,361	38,405,762	38,268,007		136,775
Debt Service - Principal	2,344,274	2,344,274	2,325,998		18,278
Debt Service - Interest	1,560,660	1,535,660	1,534,968		694
Total Expenditures	162,029,741	162,949,065	158,913,644	527,824	3,507,567
<b>OTHER FINANCING USES</b>					
Transfers to other funds	2,312,000	3,212,000	3,100,914		111,086
Total Expenditures and Other Uses	\$ 164,341,741	\$ 166,161,065	162,014,558	\$ 527,824	\$ 3,618,683
Net change in fund balance			(1,122,167)		
Fund balance - beginning			24,844,483		
Fund balance - ending			\$ 23,722,316		

**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.

NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS  
June 30, 2018

Period	Total OPEB Liability - Beginning of the Period	Service cost	Interest on Total OPEB Liability	Differences between expected and actual experience	Changes in benefit terms	Changes of assumptions or other inputs	Benefit payments	Total OPEB Liability - End of the Period	Covered-employee payroll	Total OPEB Liability as a Percentage of Covered-employee Payroll
July 1, 2017 - June 30, 2018	\$ 201,637,938	\$ 8,897,099	\$ 7,258,966	\$ -0-	\$ -0-	\$ -0-	\$ (5,146,108)	\$ 212,647,895	\$ 76,325,674	278.6%

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Five Years**

<u>NYSERS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.0523119%	0.0523119%	0.0500618%	0.0499429%	0.0488485%
District's proportionate share of the net pension liability (asset)	\$ 2,363,901	\$ 1,787,224	\$ 8,035,059	\$ 4,692,746	\$ 1,576,557
District's covered payroll	15,245,954	15,983,442	16,053,707	16,535,569	16,865,436
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.51%	11.06%	50.05%	28.38%	9.35%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	97.20%	97.95%	90.70%	94.70%	98.24%
<u>NYSTRS</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.453304%	0.445478%	0.422221%	0.435189%	0.422842%
District's proportionate share of the net pension liability (asset)	\$ (2,983,889)	\$ (49,623,455)	\$ (43,856,268)	\$ 4,661,055	\$ (3,214,018)
District's covered payroll	67,612,978	66,912,386	64,566,886	67,988,347	67,677,371
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	4.41%	74.16%	67.92%	6.86%	4.75%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	100.70%	111.48%	110.46%	99.01%	100.66%

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discounted rate decreased from 7.5% to 7.25% as reflected in 2017 and 2018 above.

**Employees' Retirement System**

The discounted rate remained at 7.0% as reflected in 2017 and 2018 above.

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

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
Last Ten Years

	NYSERS									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 1,125,857	\$ 1,185,887	\$ 1,841,885	\$ 2,364,775	\$ 2,808,664	\$ 3,315,720	\$ 3,014,318	\$ 2,606,198	\$ 2,462,134	\$ 2,480,484
Contributions in relation to the contractually required contribution	1,125,857	1,185,887	1,841,885	2,364,775	2,808,664	3,315,720	3,014,318	2,606,198	2,462,134	2,480,484
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered-employee payroll	15,064,954	15,700,179	15,362,178	15,506,334	15,663,828	15,801,767	15,569,194	16,589,817	16,729,488	16,981,385
Contributions as a percentage of covered-employee payroll	7.47%	7.55%	11.99%	15.25%	17.93%	20.98%	19.36%	15.71%	14.72%	14.61%
NYSTRS										
Contractually required contribution	\$ 5,213,618	\$ 4,186,514	\$ 5,444,138	\$ 7,254,049	\$ 7,861,665	\$ 10,693,152	\$ 11,409,312	\$ 8,613,769	\$ 7,856,255	\$ 6,769,019
Contributions in relation to the contractually required contribution	5,213,618	4,186,514	5,444,138	7,254,049	7,861,665	10,693,152	11,409,312	8,613,769	7,856,255	6,769,019
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered-employee payroll	66,319,594	67,734,549	64,145,738	65,214,583	67,612,978	66,912,386	64,568,886	67,989,347	67,677,371	69,916,152
Contributions as a percentage of covered-employee payroll	7.86%	6.18%	8.49%	10.96%	11.63%	15.98%	17.67%	12.67%	11.61%	9.68%

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND**  
**For the Year Ended June 30, 2018**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 163,306,840
Add: Prior year's encumbrances		<u>1,034,901</u>
Original budget		164,341,741
Budget revisions:		
Donations	\$ 120,042	
Additional appropriation of Employee Benefit Accrued Liability Reserve	799,282	
Voter approved Proposition to transfer to capital projects fund	<u>900,000</u>	<u>1,819,324</u>
Final budget		<u>\$ 166,161,065</u>

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

2018-19 voter-approved expenditure budget		<u>\$ 166,810,381</u>
Maximum allowed (4% of 2018-19 budget)		<u>\$ 6,672,415</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 2,927,824	
Unassigned fund balance	<u>6,672,414</u>	<u>\$ 9,600,238</u>
Less:		
Appropriated fund balance	\$ 2,400,000	
Encumbrances	<u>527,824</u>	<u>2,927,824</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		<u>\$ 6,672,414</u>
Actual Percentage		4.00%



**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2018**

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures		Unexpended Balance	Methods of Financing		Total	Fund Balance June 30, 2018
			Prior Years	Current Year		State Aid	Local Sources		
<b>Projects funded by Capital Reserves</b>									
East Northport Middle School Boilers	700,000	\$ 700,450	\$ 499,630	\$ -	\$ 200,820	\$ -	\$ 700,452	\$ 700,452	\$ 309,822
WJB Front Stairs	200,000	200,000	164,419		35,581		200,000	200,000	35,581
Elementary Buildings Fire Alarm Upgrade	630,000	630,000	584,966		45,034		630,000	630,000	45,034
NHS Permeq	316,600	316,600	282,997		33,603		316,600	316,600	33,603
ENMS Auditorium Lifelines	138,400	138,400	6,587	112,039	118,246		19,854	138,400	19,854
NAES Boiler Replacement	720,000	720,000	61,029	572,132	36,119		720,000	720,000	86,119
NMS Lockers & Gym Ceiling	1,185,000	1,185,000	29,037	4,931	1,151,012		1,185,000	1,185,000	1,151,012
Fifth Avenue Gas Conversion	60,000	60,000	1,563		58,437		60,000	60,000	58,437
Ocean Ave Boiler	850,000	850,000	816,000	18,189	24,227		850,000	850,000	825,773
William J. Browne Food, Tennis Courts & Auditorium Seating	470,000	470,000			470,000		470,000	470,000	
East Northport Middle School Gymnasium Windows	275,000	275,000			275,000		275,000	275,000	
NHS Generator & Circuit Breakers	812,500	812,500			812,500		812,500	812,500	
2017-2019 Proposition No. 1	900,000	900,000			900,000		900,000	900,000	
<b>Projects funded by General Fund Appropriations</b>									
ENMS Field Irrigation	161,475	161,025	157,126		3,899		161,025	161,025	3,897
NHS Exterior Bleachers	916,580	1,031,211	41,993	1,016,216	12		1,031,211	1,031,211	12
NHS Press Box	115,205	48,775	3,532	44,712	351		48,775	48,775	351
NHS Boilers	918,216	1,386,915	63,637	1,028,441	294,837		1,386,915	1,386,915	294,837
NHS Locker Room Bathrooms and Softball Field	541,000	541,000	9,943	1,517	530,440		541,000	541,000	530,440
Pulaski Rd Boilers & Gas Conversion	800,000	800,000	5,312	79,505	777,185		800,000	800,000	777,185
Pulaski Rd Irrigation	91,000	91,000			91,000		91,000	91,000	
Elementary Buildings Fire Alarm Upgrade	200,000	200,000	187,659		12,341		200,000	200,000	12,341
NMS Library Htg & Vent	438,100	438,100			438,100		438,100	438,100	
DAS Ceiling Replacement	485,000	485,000			485,000		485,000	485,000	
<b>EXCEL Projects</b>									
Security Upgrades	183,869	183,869	173,640		10,229	172,182	1,687	183,869	10,229
<b>Energy Performance Contract</b>									
District-wide	12,965,659	12,965,659	7,913,240	4,568,967	443,452		300,000	12,965,659	443,452
<b>Board Proprietion</b>									
NHS Field Room, HVAC & Lab Room	12,906,718	12,906,718	951,705	11,955,013	12,906,718			12,906,718	11,955,013
NHS Drain, Flr, Toilet Room, Stages, Vent, Site Development	3,374,680	3,374,680	30,590	3,344,090	3,374,680			3,374,680	3,344,090
DAS Vestibule, Toilet, Htg Line	1,274,375	1,274,375	39,168	1,235,207	1,274,375			1,274,375	1,235,207
DAS Electric, Casework, Toilets	2,065,000	2,065,000	17,500	2,047,500	2,065,000			2,065,000	2,047,500
NHS Greenhouse	175,000	175,000	4,775	170,225	175,000			175,000	170,225
ENMS Vestibule	84,000	84,000	5,977	78,023	84,000			84,000	78,023
ENMS Drain, Aud Stages, Toilets, Field/Track Room, Science Room	4,214,763	4,214,763	61,718	4,153,045	4,214,763			4,214,763	4,153,045
NHS Concession	425,000	425,000	63,664	361,336	425,000			425,000	361,336
Fifth Ave Vestibule, Stairs, Toilets	1,107,298	1,107,298	45,125	1,062,173	1,107,298			1,107,298	1,062,173
NMS Concession	103,500	103,500	43,483	60,017	103,500			103,500	60,017
Norwood Ave Vestibule	1,177,200	1,177,200	9,976	1,167,224	1,177,200			1,177,200	1,167,224
WJB Vestibule	94,300	94,300	5,661	88,639	94,300			94,300	88,639
WJB Windows, Masonry, HVAC	157,926	157,926	22,459	135,467	157,926			157,926	135,467
Ocean Ave Vent, ADA Sink, Casework, Kitchen HVAC	1,084,883	1,084,883	49,495	1,035,388	1,084,883			1,084,883	1,035,388
NMS Windows, Gym, Ceiling, Field Room	2,687,858	2,687,858	1,160,164	1,527,694	2,687,858			2,687,858	1,527,694
NMS Vestibule, Toilet & Lab Room	5,478,850	5,478,850	498,364	4,976,486	5,478,850			5,478,850	4,976,486
Bellevue Ave Vestibule	185,000	185,000	8,087	176,913	185,000			185,000	176,913
BAS Trailer Room, ChirLips, Gym HVAC, Windows	1,864,688	1,864,688	16,916	1,847,772	1,864,688			1,864,688	1,847,772
Pulaski Rd Vestibule & Toilet Room	460,540	460,540	17,919	442,621	460,540			460,540	442,621
PYS Casework, Drain, Flr, Stairwell	896,211	896,211	7,595	888,616	896,211			896,211	888,616
<b>Smart School Board Act</b>									
District-wide	871,557	871,557	454,179	417,378	417,378			871,557	417,378
	\$ 23,370,401	\$ 66,393,262	\$ 10,013,201	\$ 11,456,700	\$ 44,183,181	\$ 1,043,729	\$ 12,999,663	\$ 66,393,262	\$ 44,183,181
									Unexpended Bonds
									(39,884,301)
									Smart School Board Act revenue not realized
									(171,557)
									EXCEL project revenue not realized
									(55,057)
									Capital Projects Fund - Fund Balance
									\$ 4,082,366

**NORTHPORT - EAST NORTHPORT UNION FREE SCHOOL DISTRICT**  
**OTHER SUPPLEMENTARY INFORMATION**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**For the Year Ended June 30, 2018**

Capital assets, net			\$ 70,120,945
Deduct:			
Short-term portion of bonds payable	\$ (1,995,000)		
Long-term portion of bonds payable	<u>(8,535,000)</u>	<u>(10,530,000)</u>	
Short-term portion of energy performance contract	\$ (565,722)		
Long-term portion of energy performance contract	<u>(11,508,941)</u>	<u>(12,074,663)</u>	
Net Investment in capital assets			<u>\$ 47,516,282</u>



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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  
Northport-East Northport Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Northport-East Northport Union Free School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Northport-East Northport Union Free School District's basic financial statements, and have issued our report thereon dated September 24, 2018.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 24, 2018

## **APPENDIX D**

### **FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

## **FORM OF OPINION OF BOND COUNSEL**

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

September 20, 2019

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

Ladies and Gentlemen:

We have acted as Bond Counsel to Northport-East Northport Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$33,500,000 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**

### **FORM OF EVENTS NOTICE UNDERTAKING**



## **UNDERTAKING TO PROVIDE NOTICES OF EVENTS**

### **Section 1. Definitions**

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

“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 Northport-East Northport Union Free School District, in the County of Suffolk, a school district of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 20, 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 \$33,500,000 Tax Anticipation Note for 2019-2020 Taxes, dated September 20, 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 20, 2019**.

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT**

By \_\_\_\_\_  
President of the Board of Education