PRELIMINARY OFFICIAL STATEMENT DATED JUNE 1, 2017

NEW ISSUE - SERIAL BONDS **RATING – MOODY'S INVESTORS SERVICE:**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "Tax Matters". The Bonds will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

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

$14,000,000 SCHOOL DISTRICT (SERIAL) BONDS, 2017
[BOOK-ENTRY-ONLY BONDS]
(The "Bonds")

Dated: June 28, 2017

Principal Due: **June 15, 2018-2032, inclusive**
Interest Due: **December 15, 2017 and semi-annually thereafter on June 15 and December 15 in each year to maturity**

SEE BOND MATURITY SCHEDULE HEREIN

Security and Sources of Payment: The Bonds are general obligations of the Sayville Union Free School District, Suffolk County, New York and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount. (See "Tax Levy Limitation Law" herein).

Prior Redemption: The Bonds maturing on June 15, 2027 and thereafter are subject to redemption prior to maturity, at the option of the District, on June 15, 2026 and thereafter on any date, in accordance with the terms described herein. (See "Optional Redemption" under "The Bonds," herein.).

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

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

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of an approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about June 28, 2017.

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

SAYVILLE UNION FREE SCHOOL DISTRICT,
SUFFOLK COUNTY, NEW YORK

$14,000,000 SCHOOL DISTRICT (SERIAL) BONDS, 2017

MATURITIES, RATES AND YIELDS (OR PRICES)

Principal Due: June 15, 2018-2032, inclusive
Interest Due: December 15, 2017 and semi-annually thereafter on June 15 and December 15 in each year to maturity

Year	Amount	Rate	Yield or Price	CUSIP #
2018	$1,150,000			
2019	875,000			
2020	875,000			
2021	875,000			
2022	875,000			
2023	875,000			
2024	875,000			
2025	925,000			
2026	925,000			
2027	925,000			
2028	925,000			
2029	950,000			
2030	975,000			
2031	975,000			
2032	1,000,000			

SAYVILLE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

99 Greeley Avenue
Sayville, New York 11782
Telephone: 631/244-6530
Fax: 631/244-6541

BOARD OF EDUCATION

John Verdone, President
Thomas Cooley, Vice President

Carl Cangelosi
Norman deVenau
Maureen Dolan
Keith Kolar
Deborah Van Essendelft

Walter F. Schartner, Ed.D., Superintendent of Schools
John J. Belmonte, Assistant Superintendent for Business
Maribeth Demetres, District Clerk
Eleni Costello, District Treasurer

School District Attorney

Guercio & Guercio

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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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 District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor may 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

SAYVILLE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$14,000,000 SCHOOL DISTRICT (SERIAL) BONDS, 2017
[BOOK-ENTRY-ONLY BONDS]

This Official Statement and appendices thereto presents certain information relating to the Sayville Union Free School District, Suffolk County, in the State of New York (the "District" and "State," respectively) in connection with the sale of $14,000,000 School District (Serial) Bonds, 2017 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated June 28, 2017, and will mature in the principal amounts on June 15, in each of the years 2018 to 2032, inclusive, as set forth on the inside cover page. Interest on the Bonds will be payable December 15, 2017, and semi-annually thereafter in each year until maturity.

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

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

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

The District will act as Paying Agent for the Bonds. The District's contact information is as follows: John J. Belmonte, Assistant Superintendent for Business, Sayville Union Free School District, 99 Greeley Avenue, Sayville, New York 11782, telephone number 631/244-6530, email: belmontej@sayville.k12.ny.us.

Optional Redemption

The Bonds maturing on or before June 15, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on June 15, 2027 and thereafter, will be subject to redemption, at the option of the District, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after June 15, 2026, at par plus accrued interest to the date of redemption.

Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Nature of Obligation

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

Holders of any series of bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of bonds.

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitations. See "Tax Levy Limitation Law, herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "Tax Levy Limitation Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the district's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city's "faith and credit" is secured by a promise both to pay and to use in good faith the district's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the District's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . .. While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders and noteholders are constitutionally protected against an attempt by the State to deprive the district of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the district to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., 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 New York 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 not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York 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.

The Tax Levy Limit Law

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

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

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

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

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision

The Bonds when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property

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, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, city, town or school district, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State 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 be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the 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. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the District be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the District could be adversely affected by the restructuring of the District's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the District (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the District under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), 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, as described below, authorizing any county, city, town or school district 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.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or school district. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or school district upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict , subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and school districts so as to prevent abuses in taxation and assessment and in contracting indebtedness by them. In 2013, the State established a new state advisory board to assist counties, cities, towns and school district in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The District is not working with the FRB. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "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. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events including financial crisises as they may occur in the State and in political subdivisions of the State 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. See "Nature of Obligation" and "State Debt Moratorium Law" herein.

No Past Due Debt

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

Book-entry-only System

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

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

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

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

of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event, bond certificates will be printed and delivered to DTC.

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

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the District takes no responsibility for the accuracy thereof.

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

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

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in registered form in denomination of $5,000, or integral multiples thereof, principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company located in the State to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of The Board President authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and a bond resolution duly adopted by the Board of Education on May 19, 2015 authorizing the issuance of $19,200,000 Bonds for the construction and reconstruction of various school district buildings and facilities, including original furnishing, equipment, machinery, apparatus, appurtenances and site and incidental improvements

As of the date of this Official Statement, there are $13,900,000 in outstanding notes, $1,625,000 of which is being paid off. There is also new money in the amount of $1,725,000 which will be used towards the construction of the project.

Continuing Disclosure Undertaking

At the time of delivery of the Bonds, the District will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or **contract of the District for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or** cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board ("MSRB") 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:

(1) (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement dated July 27, 2016 relating to the Bonds under the headings "The District", "Indebtedness of the District", "Finances of the District, "Real Property Tax Information", "Litigation" and all Appendices (other than any related to bond insurance) by the end of the eighth month following the end of each succeeding fiscal year, commencing with the fiscal year ending June 30, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending June 30, 2017; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (iv) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) 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 District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and official 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 District.

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

The District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provisions, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Compliance History

Other than as noted below, the District is in compliance in all respects with all previous undertakings made pursuant to Rule 15c2-12 during the last five years.

Since 2007, there have been in excess of 50 rating actions reported by Moody's Investors Service, Standard & Poor's Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the District. Due to widespread knowledge of these rating actions, material event notices were not filed by the District in each instance.

THE DISTRICT

Description

The District is located in the southwestern portion of Suffolk County, on the south shore of Long Island approximately 55 miles from New York City. It encompasses about 6 square miles and has an estimated population of 22,500. The District encompasses most of the unincorporated areas of Sayville and West Sayville. Its southern boundary is the Great South Bay which provides opportunities for boating, fishing and swimming. The District also includes a terminus for ferry service to several communities on Fire Island.

The District is primarily residential with some commercial development, which is centered in the business districts of Sayville and West Sayville, there is also some light industrial activity located near the Long Island Railroad, which traverses the District. Rail transportation is provided by the Long Island Railroad, which has a station in the District. Major roadways include Sunrise Highway (NYS Route 27) and Montauk Highway (NYS Route 27A); passenger airline service is available at the Long Island MacArthur Airport, approximately 16 miles from the District. Water service is provided by the Suffolk County Water Authority; electricity and gas are provided by the PSEG Long Island and Brooklyn Union Gas Corp., respectively. Police protection is provided by Suffolk County; fire protection is provided by two local volunteer fire departments.

District Organization

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

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

Enrollment History

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

School Year	School Enrollment
2013	3,186
2014	3,091
2015	3,036
2016	2,983
2017	2,919

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2018	2,851
2019	2,758

Source: District Officials.

District Facilities

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

Name of School	Grades	Max Capacity	Year Built
Cherry Avenue Elementary School	K-5	650	1957, '60
Lincoln Avenue Elementary School	K-5	800	1966
Sunrise Drive Elementary School	K-5	825	1960, '62, '06
Middle School	6-8	1,485	1957, '59, '70, '91, '02, '03
High School	9-12	1,850	1970
Administration Building	-	-	1904
Maintenance Building	-	-	2014
Other Facilities			
Old Junior High School	-	600	1926, '59
Green Avenue Elementary School (Rented to BOCES)	-	625	1938

Employees

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

Name of Union	Expiration Date of Contract	Approx. No. of Members
Sayville SubstituteTeachers' Association	6/30/20	70
Sayville Teachers' Association	6/30/20	267
Sayville Administrators' Association	6/30/20	11
UPSEU-Clerical Unit	6/30/18	39
Custodial and Maintenance	6/30/18	46
School Related Professionals	6/30/17[a]	133
UPSEU-Food Service	6/30/19	29
Non Union	N/A	18

a. In negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

Year	Town of Islip	Suffolk County	New York State
1980	299,587	1,321,864	18,044,505
1990	323,504	1,419,369	18,976,457
2000	345,627	1,493,350	19,378,102
2010	335,916	1,499,738	19,651,127
2015	336,142	1,501,587	19,795,791

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

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2015[a]
Town of Islip	$16,778	$23,699	$30,388	$32,843
Suffolk County	18,481	26,577	35,411	38,599
New York State	16,501	23,389	30,791	34,297

	Median Household Income			
	1990	2000	2010	2015[a]
Town of Islip	$50,212	$65,359	$81,028	$85,281
Suffolk County	49,128	65,288	84,235	88,340
New York State	32,965	43,393	55,217	60,850

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimate (2012 -2015)

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

Annual Averages:	Town of Islip (%)	Suffolk County (%)	New York State (%)
2012	8.1	7.8	8.6
2013	6.8	6.5	7.7
2014	5.5	5.3	6.4
2015	4.8	4.8	5.3
2016	4.4	4.3	4.8
2017 (3 Month Average)	4.6	4.7	4.8

Source: Department of Labor, State of New York

Largest Employers

Name of Employer	Nature of Business	Approx. No. of Employees
Entenmann's Bakery	Food Product	1,500
CA	Software	1,050
Sysmbol Technologies	Bar Code Scanning	950
Nature's Bounty, Inc.	Vitamins, Minerals & Nutrients	760
Lumex, Inc.	Medical & Surgical Equip.	725
Whitman Packaging	Packaging	500
Creative Bath	Manufacturing	410
Dayton T. Brown, Inc.	Test Lab & Metal Products	400
North Atlantic Industries	Electric Test Equipment	365
Aerospace Avionics	Electronic Test Equip & Aircraft Systems	350
Dorne & Margolin Inc.	Aircraft Areospace Products	300
Mannix	Replacement Windows	250
Majestic Molded Products	Plastic Moldings	200
Gem Electric Mfg. Co., Inc.	Electrical Specialty Products	180
Todd Products Corp.	Electrical Equipment	150

Source: District Officials Estimates.

INDEBTEDNESS OF THE DISTRICT

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds.

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute or the weighted average period of probable usefulness thereof; and 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 and bond anticipation notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. See "Tax Levy Limitation Law," herein.

Statutory Procedure

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

Pursuant to the Local Finance Law, the District authorizes the incurrence of indebtedness by the adoption of a bond ordinance approved by at least two-thirds of the members of the Board of Education, the finance board of the District.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District is in compliance with such requirement with respect to the bond resolution authorizing the issuance of the Bonds.

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. See "Payment and Maturity" under "Constitutional Requirements".

In addition, under each bond resolution, the Board of Education may delegate, and has delegated, power to issue and sell bonds, to the President of the Board of Education, the chief fiscal officer of the District.

In general, the Local Finance Law contains similar provisions providing the District with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations
bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limitation Law, imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limitation Law. See "Tax Levy Limitation Law," herein.

Computation of Debt Limit and Debt Contracting Margin
(As of June 1, 2017)

In Town of: (2016-2017)	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Islip	$278,222,845	12.70	$2,190,731,063
Debt Limit - 10% of Full Valuation			219,073,106
Inclusions:[a]			
Outstanding Bonds[b]			$18,195,000
Bond Anticipation Notes			13,900,000
Total Indebtedness			32,095,000
Exclusions (Estimated Building Aid)[c]			21,824,600
Total Net Indebtedness Before Issuing The Bonds			10,270,400
The Bonds			14,000,000
Less: BANs to be Redeemed by the Issuance of the Bonds			13,900,000
Net Effect of the Bonds			100,000
Total Net Indebtedness After Issuing the Bonds			10,370,400
Net Debt Contracting Margin			$208,702,706
Per Cent of Debt Contracting Margin Exhausted (%)			4.73%

a. Represents most recent assessed valuation for which Equalization Rate has been established.
b. This does not include Energy Performance Contract financing. It does include bonds that have been refunded.
c. Represents estimate of moneys receivable by the District from the State as an apportionment form debt service for school building purposes, based on most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Authorized but Unissued Items

As of the date of this Official Statement the District has authorized but unissued indebtedness in the amount of $5,300,000 for the construction of improvements to and reconstruction of various school district buildings. Additionally, there will be new money in the amount of $1,725,000 which will reduce the authorized but unissued amount.

Debt Service Requirements - Outstanding Bonds and Refunding Bonds

FYE June 30:	Principal	Interest	Total
2017	$1,955,000	$485,206	$2,440,206
2018	1,685,000	640,303	2,325,303
2019	1,715,000	586,220	2,301,220
2020	1,785,000	520,188	2,305,188
2021	1,655,000	452,200	2,107,200
2022	1,360,000	387,250	1,747,250
2023	1,360,000	334,150	1,694,150
2024	1,355,000	281,050	1,636,050
2025	1,430,000	228,200	1,658,200
2026	1,285,000	172,400	1,457,400
2027	1,275,000	121,000	1,396,000
2028	1,270,000	70,000	1,340,000
2029	480,000	19,200	499,200
Totals	$18,610,000	$4,297,367	$22,907,367

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement the District has bond anticipation notes outstanding in the amount of $13,900,000, which mature on June 29, 2017. A portion of the Bonds issuance plus available funds in the amount of $1,625,000 will be used to pay off the bond anticipation notes. The Bonds are part of a larger capital project in the amount of $19,200,000.

Revenue and Tax Anticipation Notes

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

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

FYE June 30:	Amount	Type	Issue	Maturity
2013[a]	-		-	-
2014	$ 9,000,000	TAN	11/20/2013	6/26/2014
2015	12,000,000	TAN	10/30/2014	6/25/2015
2016	10,500,000	TAN	11/10/2015	6/28/2016
2017	12,000,000	TAN	11/15/2016	6/27/2017

a. The District did not borrow with the issuance of TAN's or RAN's.

Trend of District Indebtedness

	2012	2013	2014	2015	2016
Bonds	$34,645,000	$30,625,000	$26,835,000	$23,584,000	$19,900,000
BANs	0	0	0	0	4,000,000
EPCs	7,166,844	6,931,183	6,514,457	6,084,119	5,639,725
Total	$41,811,844	$37,556,183	$33,349,457	$29,668,119	$29,539,725

Energy Performance Contract

The District has financed the cost of a 15-year energy performance contract with Johnson Controls (Equipment) at an interest rate of 3.240%.

FYE June 30:	Principal	Interest	Total
2017	$ 458,909	$ 179,040	$ 637,949
2018	473,898	164,051	637,949
2019	489,376	148,572	637,948
2020	505,360	132,588	637,948
2021	521,867	116,081	637,948
2022-2026	2,876,427	313,315	3,189,742
2027	313,888	5,085	318,973
Totals	$5,639,725	$1,058,732	$6,698,457

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	03/27/2017	0.95	$20,364,061	$12,561,606
Town of Islip	03/02/2016	6.06	8,658,225	7,947,084
Fire Districts (Est.)	10/01/2015	Var.	6,750,000	6,750,000
Totals			$35,772,286	$27,258,690

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

Debt Ratios
(As of June 1, 2017)

	Amount	Per Capita[a]	Percentage Of Full Value (%)[b]
Total Direct Debt	$32,095,000	$1,426	1.47
Net Direct Debt	10,270,400	456	0.47
Total Direct & Applicable Total Overlapping Debt	67,867,286	3,016	3.10
Net Direct & Applicable Net Overlapping Debt	37,529,090	1,668	1.71

a. The current estimated population of the District is 22,500.
b. The full valuation of taxable real property is $2,295,568,028.

FINANCES OF THE DISTRICT

Independent Audit

The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2016. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

On May 16, 2017, the District's budget for the 2017-2018 fiscal year was approved by a majority of the voters of the District voting thereon. Summaries of the District's Adopted Budgets for the fiscal years 2016-2017 and 2017-2018 may be found in Appendix A, herein. The District has not found it necessary to exceed the tax limitation since the inception of the tax levy limit in 2011.

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

In addition to the amount of State aid budgeted by the District, the State is expected to make STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (See *"STAR - School Tax Exemption"* herein). The District is dependent in significant part on financial assistance from the State in the form of State Aid for both operating and capital purposes. The District received approximately 28.03% of its total General Fund Revenue operating from State aid in the 2014-2015 fiscal year and expects to receive approximately 27.41% in the 2015-2016 fiscal year and 29.34% for the 2016-2017 fiscal year. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. (See *"Events Affecting State Aid to New York State School Districts"* herein).

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. The budget included an increase of $1.4 billion in State aid for school districts, that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

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

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA is a negative number (funds that are deducted from the State aid originally due to the District under existing State aid formulas). The District's State aid has been reduced by an approximate aggregate amount of $16.2 million as a result of the GEA program since 2009. In the 2014-15 fiscal year, the State began to decrease the amount of the GEA deduction, and as a result, the reduction in State aid to the District was $2.7 million. For the State's 2016-2017 fiscal year, the elimination of the remaining balance of the GEA, resulted in more State aid to the District in the 2016-2017 fiscal year.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds is $2.4 million.

A case related to the campaign for Fiscal Equity, Inc. v. State of New York is scheduled to be heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights ("NYSER") v. State of New York and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the "foundation aid" formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. It is not possible to predict the outcome of this litigation.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year and during the District's 2017-2018 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

The following table sets forth General Fund revenues and State aid revenues during the last five fiscal years and the amount budgeted for the fiscal year ending June 30, 2017.

FYE June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2012	$80,076,963	$22,366,899	27.93
2013	83,911,594	23,007,991	27.42
2014	83,553,346	23,298,001	27.88
2015	84,503,172	23,687,947	28.03
2016	85,915,460	24,642,868	28.68
2017 (Budgeted)	90,119,477	26,439,415	29.34
2018 (Budgeted)	90,594,753	26,931,427	29.73

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: 13.3%). 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 August 14, 2015. The purpose of such audit was evaluate the District's financial activities and cellular telephone purchases and use for the period July 1, 2013 through August 31, 2014. The complete report may be found on the OSC's official website.

Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

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

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

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

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

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

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

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

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

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for the 2016 fiscal year.

Payments to Pension Systems

FYE June 30:	TRS	ERS
2013	$3,713,134	$1,769,788
2014	5,011,434	1,776,296
2015	5,540,182	1,813,609
2016	4,332,578	1,675,282
2017 (Not Final)	3,947,319	1,489,996
2018 (Budgeted)	3,738,589	1,570,588

Source: Audited Financial Statements. The table itself is not audited.

Other Post Employment Benefits

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

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

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

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

The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

Annual OPEB Cost and Net OPEB Obligation (NOO)	For the Year Ended June 30, 2016:
Annual Required Contribution	$10,736,096
Interest on Net OPEB Obligation	1,470,006
Adjustment to Annual Required Contribution	(2,043,946)
Annual OPEB Cost	10,162,156
Contributions Made	(3,715,935)
Increase in Net OPEB Obligation	6,446,221
Net OPEB Obligation - Beginning of Year	36,750,152
Net OPEB Obligation - End of Year	43,196,373

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed (%)	Net OPEB Obligation End of Year
12/31/2016	$10,736,096	36.6	$43,196,373
12/31/2015	10,192,018	42.6	36,750,152
12/31/2014	10,192,018	48.3	31,381,242

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines or legal authority for the creation and use of reserve funds or irrevocable trusts for the funding of OPEB. The District continues funding the expenditure on a pay-as-you-go basis.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Islip. Assessment valuations are determined by the Town assessor and the State Officer of Real Property Services, which is responsible for certain utility and railroad property. In addition, the State Officer 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.

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

FYE June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2012	$80,076,963	$48,490,301	60.55
2013	83,911,594	49,622,471	59.14
2014	83,553,346	50,638,324	60.61
2015	84,503,172	51,307,070	60.72
2016	86,333,572	51,886,355	60.10
2017 (Budgeted)[a]	90,119,477	58,221,199	64.60
2018 (Budgeted)[a]	90,594,753	57,884,439	63.89

a. Budgeted Revenues includes application of reserves and fund balance.

Tax Collection Procedure

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

The Town Tax Receiver distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection. On June 1 of each year the Town Tax Receiver turns over uncollected items to the County who continues the collection of returned items. Responsibility for the collecting of unpaid taxes rests with the County. Uncollected tax liens were in the past sold annually to private citizens who in turn foreclosed on the property subject to the lien. The County has discontinued this practice and intends to foreclose on uncollected tax liens after three years.

STAR - School Tax Exemption

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

Approximately 7% of the District's 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 7% of the District's 2017-2018 school tax levy is expected to be exempted by the STAR program. (See *"State Aid"* herein).

Valuations, Rates, Levies and Collections

Fiscal Year Ending June 31:				
2013	2014	2015	2016	2017
$278,645,319	$279,004,316	$278,892,215	$278,145,213	$278,222,845
12.9%	13.2%	13.2%	12.7%	12.7%
2,160,041,233	2,113,669,061	2,112,819,811	2,190,119,787	2,190,731,062
56,103,647	57,287,232	51,307,070	58,688,645	57,742,805
17.855	18.321	18.703	19.034	18.859
30.709	30.630	30.422	30.676	29.411

Selected Listing of Large Taxable Properties

2016-2017 Assessment Roll

Name	Type	Assessed Valuation
Fairfield Sayville	Commercial	$5,571,300
Sayville Memlo LLC	Shopping Center	4,104,000
LIPA	Utility	2,674,631
Sayville Plaza Development Co.	Shopping Center	2,652,800
Petite Fleur	Commercial	2,550,000
LILCO	Utility	2,014,000
Saddle Cove Associates LLC	Apartments	1,269,400
Cesare DeFeo & ORS	Shopping Center	1,221,000
Keyspan Gas East Corp.	Utility	1,082,656
Fairfield Plaza LLC	Apartments	945,000
	Total	$24,084,787[a]

a. Represents 8.66% of the 2016-2017 Assessed Valuation.

Tax Certiorari Claims

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

LITIGATION

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

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

RISK FACTORS

AND

MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In some years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

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

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

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

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the District and hence upon the market price of the Bonds. See "TAX INFORMATION" – Tax Levy Limitation Law" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Bonds being included in gross income for federal income tax purposes as well as for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to the in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Recent legislative proposals which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates have been introduced. Other proposals have also been made in recent months. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds, Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix B.

RATING

The District has applied to Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, for a rating on the Bonds. The rating reflects only the view of Moody's, and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds. Such ratings should not be taken as a recommendation to put or hold the 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 municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds are to be issued is the Local Finance Law.

The procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law, has been complied with.

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

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

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Assistant Superintendent for Business, John J. Belmonte, Sayville Union Free School District, 99 Greeley Avenue, Sayville, New York 11782, telephone number 631/244-6530, email: jbelmonte@sayvilleschools.org, or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

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

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

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of facts, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the works "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including this Official Statement.

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

This Official Statement has been duly executed and delivered by the President of the Board of Education of the District.

By: s/s _____
JOHN VERDONE
President of the Board of Education
Sayville Union Free School District
Sayville, New York

Dated: June 1, 2017

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2012	2013	2014	2015	2016
Revenues:					
Real Property Taxes	$ 48,490,301	$ 49,622,471	$ 50,638,324	$ 51,307,070	$ 51,886,355
Real Property Tax Items (Including STAR)	6,335,203	6,481,176	6,648,908	6,733,058	6,973,472
Charges for Services	506,408	372,899	541,487	456,047	443,476
Use of Money and Property	1,719,898	1,763,207	1,762,795	1,769,156	1,851,045
Sale of Property & Compensation for Loss	58,469	1,590,927	89,588	155,909	143,972
Miscellaneous	550,501	674,179	347,080	243,133	306,123
State and Local Sources	22,366,899	23,007,991	23,298,001	23,687,947	24,642,868
Medicaid Reimbursement	49,284	250,617	193,066	62,979	86,261
Federal Sources	0	148,127	34,097	87,873	
Total Revenues	$ 80,076,963	$ 83,911,594	$ 83,553,346	$ 84,503,172	$ 86,333,572
Expenditures:					
General Support	9,196,223	9,274,811	10,102,355	9,703,357	9,769,710
Instruction	42,565,518	44,286,342	43,892,167	44,623,563	47,236,545
Pupil Transportation	3,246,130	3,237,183	3,524,930	3,323,062	3,400,512
Community Service	104,120	103,372	107,162	95,252	77,277
Employee Benefits	16,427,596	18,622,438	21,995,055	20,724,658	19,137,457
Debt Service	5,132,153	5,656,458	5,549,953	5,194,255	5,231,344
Total Expenditures	$ 76,671,740	$ 81,180,604	$ 85,171,622	$ 83,664,147	$ 84,852,845
Other Sources and Uses:					
Operating Transfers In		460,582	3,327	1,005	3,533
Operating Transfers Out	(120,220)	(630,466)	(772,939)	(874,926)	(977,042)
Total Other Sources (Uses)	(120,220)	(169,884)	(769,612)	(873,921)	(973,509)
Excess (Deficit) Revenues & Other Sources Over Expenditures & Other Uses	3,285,003	2,561,106	(2,387,888)	(34,896)	507,218
Fund Equity Begining of Fiscal Year	23,147,555	26,432,558	28,993,664	26,605,776	26,570,880
Fund Balances End of Fiscal Year.	$ 26,432,558	$ 28,993,664	$ 26,605,776	$ 26,570,880	$ 27,078,098

Source: Audited Annual Financial Reports of the District (2012-2016)
NOTE: This Schedule NOT audited.

Balance Sheet - General Fund
Fiscal Years Ending June 30:

	2015	2016
ASSETS:		
Unrestricted Cash	$ 19,474,720	$ 10,306,346
Restricted Cash	11,363,039	18,904,303
Due from Other Funds	1,338,166	3,228,768
Due from Fiduciary	26	1
State and Federal Aid Receivable	2,227,341	1,437,619
Accounts Receivable	26,433	59,548
Prepaid Expenditures	222,545	
Total Assets	$ 34,652,270	$ 33,936,585
LIABILITIES:		
Accounts Payable and Accrued Liabilities	$ 1,808,466	$ 1,698,967
Bonds Interest and Matured Bonds	41,983	40,480
Due to Other Funds	29	50
Due to Teachers' Retirement System	5,668,584	4,433,478
Due to Employees' Retirement System	471,415	376,667
Compensated Absences Payable	60,038	288,777
Deferred Revenue	30,875	20,068
Total Liabilities	8,081,390	6,858,487
FUND EQUITY		
Fund Balance		
Nonspendable	222,545	
Restricted		
Bonded Debt	236,963	199,628
Worker's Compensation	2,186,631	2,201,631
Unemployment	754,380	719,380
Employee Accrued Benefit Liabilities	7,465,039	7,561,853
Retirement Contributions	6,888,159	7,557,481
Tax Reduction	823,850	623,850
Asigned		
Appropriated Fund Balance:		2,111,497
Designated for Subsequent Year's Budget	2,376,600	2,155,000
Other	2,263,307	
Unassigned	3,353,406	3,947,778
Total Fund Balances	26,570,880	27,078,098
Total Liabilities and Fund Equity	$ 34,652,270	$ 33,936,585

Source: Audited Annual Financial Reports of the District (2015 & 2016)
NOTE: This Schedule NOT audited.

Budget Summaries

Fiscal Year Ending June 30:

	2017 (a)	2018 (b)
Revenues:		
Real Property Taxes (Including STAR)	$ 58,221,199	$ 57,884,439
PILOT	184,420	288,419
Charges for Services	391,000	381,000
Use of Money and Property	1,951,155	1,889,868
Sale of Property & Compensation for Loss	29,100	29,100
Miscellaneous	145,500	145,500
Medicaid Reimbursement	85,000	85,000
State and Local Sources	26,439,415	26,931,427
Appropriated Fund Balance	2,672,688	2,960,000
Total Revenues	$ 90,119,477	$ 90,594,753
Expenditures:		
General Support	$ 10,329,168	$ 10,401,058
Instruction	48,891,202	49,432,709
Pupil Transportation	3,866,812	3,952,549
Equipment	196,776	180,226
Employee Benefits	20,698,875	20,724,959
Interfund Transfers	1,000,000	1,000,000
Debt Service	5,136,644	4,903,252
Total Expenditures	$ 90,119,477	$ 90,594,753

(a) The budget for the 2016-17 fiscal year was approved by voters of the District on May 17, 2016.

(b) The budget for the 2017-18 fiscal year was approved by voters of the District on May 16, 2017.

Source: Adopted annual budgets of the Sayville Union Free School District

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

FORM OF BOND COUNSEL'S OPINION

June 28, 2017

Sayville Union Free School District
County of Suffolk,
State of New York

Re: Sayville Union Free School District, Suffolk County, New York
$14,000,000 School District (Serial) Bonds, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $14,000,000 School District (Serial) Bonds, 2017 (the "Obligation"), of the Sayville Union Free School District, Suffolk County, New York (the "Obligor"), dated the date of delivery, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of _____ and _____ hundredths per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, and at the rate of _____ per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, payable on December 15, 2017 and semi-annually thereafter June 15 and December 15 until maturity.

We have examined:

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

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

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

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

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

In our opinion:

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

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

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

APPENDIX C

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

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Pappas & Company
CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725 (631) 462-0660 • Fax (631) 462-8664

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Sayville Union Free School District
Sayville, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the fiduciary funds of the Sayville Union Free School District as of and for the year ended June 30, 2016, 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 the 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 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 Sayville Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules, schedule of funding progress-post employment benefits plan, schedule of District's proportionate share of the net pension asset/liability, and the schedule of District's contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 11, 2016 on our consideration of the Sayville Union Free 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 Sayville Union Free School District's internal control over financial reporting and compliance.

Rappao & Company

Commack, New York
October 11, 2016

SAYVILLE UNION FREE SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

Management offers readers of the Sayville Union Free School District financial statements this narrative overview and analysis of the financial activities and the District's performance during the fiscal year ending June 30, 2016. We would encourage readers to consider the information presented in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position at June 30, 2016 was $21,560,572. (For details please refer to Exhibit 1 in the Financial Statement section).

- Overall general revenues for all funds were $89,056,705, which were greater than expenditures by $706,179 thus increasing the District's net position. (See Exhibit 2 of the Financial Statements section. Overall revenue is the sum of general revenues, charges for services and operating grants).

- The ending fund balance of the District's General fund as of June 30, 2016 was $27,078,098. Of this amount, $3,947,778 is available for spending at the government's discretion (unassigned).

- Principal paid down on outstanding serial bond debt amounted to $3,684,000.

- For 2016-2017, the District continues to offer all programs. The proposed 2016-2017 budget in the amount of $90,119,477 was approved by the District's residents.

OVERVIEW OF THE FINANCIAL STATEMENTS

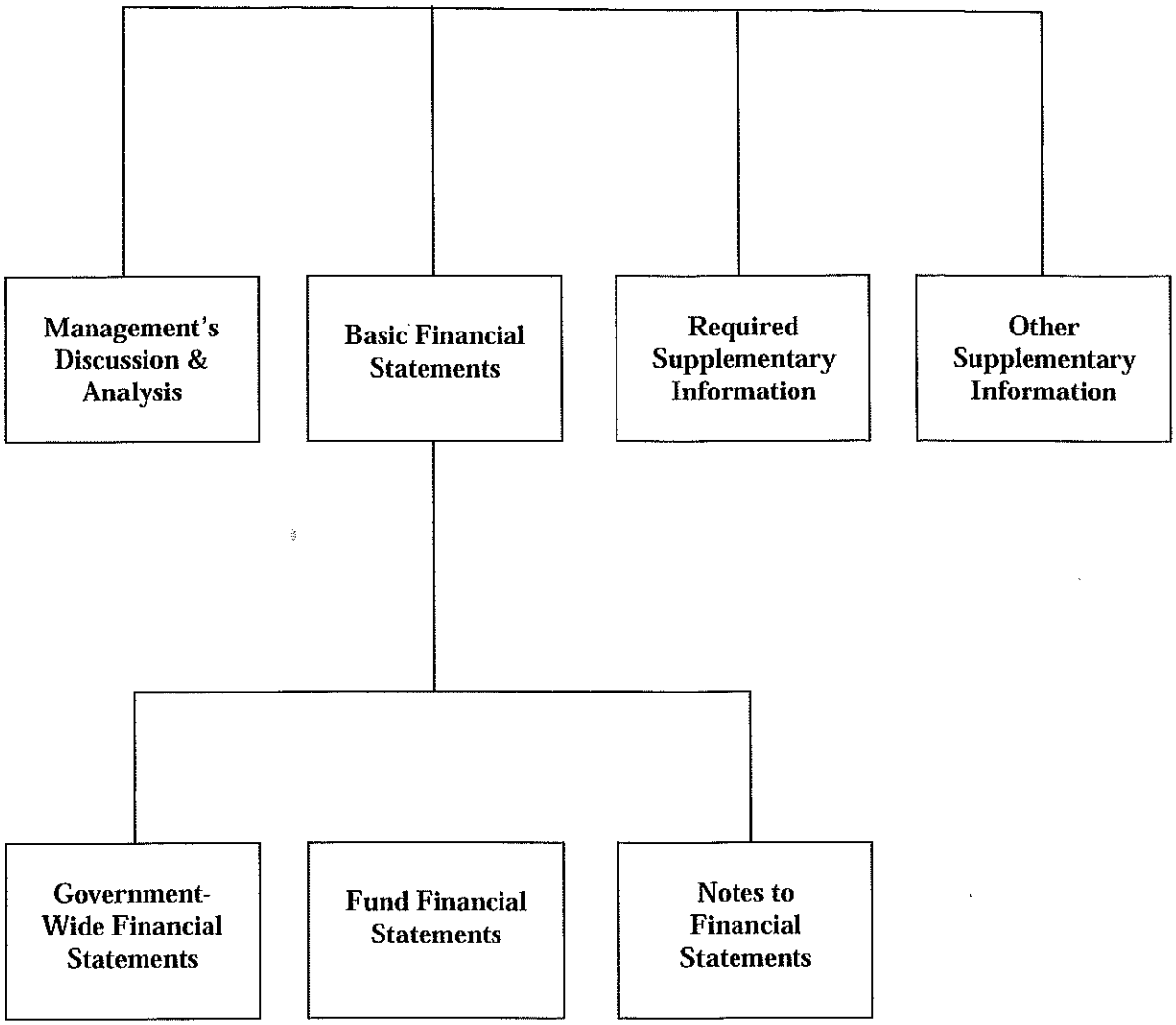
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

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

- The remaining statements are ***fund financial statements*** that focus on **individual** parts of the District, reporting the District's operations in more detail than the district-wide statements. Government Fund statements tell how basic services were financed in the short term and what remains for future spending.

- Fiduciary Funds statements provide financial information where the District acts as a trustee or agent for the benefit of others.

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



Following is a chart that further describes the major features of the Government-Wide Statements and the Fund Financial Statements:

TABLE A-2

	Government-wide Statements	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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in fund Balances	• Statement of Fiduciary Net Position • Statement of Changes In Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and Economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, deferred inflows/outflows of resources, both financial and capital, short term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, 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

Government-wide Statements

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

The two Government-wide statements report the District's *net position* and how it has changed. Net Position – the difference between the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position – is one way to measure the District's financial health or position.

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

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

- Capitalize current outlays for capital assets;

- Report long-term debt as a liability;

- Depreciate capital assets;

- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting;

- Allocate net position as follows:
    - *Net investment in capital assets*-consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition,

construction, or improvement of those assets or related debt also should be included in this component of net position.

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is found in the two Exhibits that provide a reconciliation to explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was greater on June 30, 2016, than it was the year before, increasing by $706,179.

Table A-3
Condensed Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Total Percentage Change
Assets:	2016	2015	
Current Assets	$ 32,818	$ 35,094	
Capital Assets-net	58,346	55,552	
Net Pension Asset-TRS	21,862	23,174	
Total Assets	113,026	113,820	(.70%)
Deferred Outflows of Resources	9,938	6,677	48.84 %
Liabilities and Unearned Revenue:			
Current Liabilities and Unearned Revenue	13,422	12,690	
Long Term Liabilities	79,746	71,050	
Total Liabilities/Unearned Revenue	93,168	83,740	11.26 %
Deferred Inflows of Resources	8,235	15,903	(48.22%)
NET POSITION			
Net Investment in Capital Assets	32,643	25,692	
Restricted	18,864	18,355	
Unrestricted	(29,946)	(23,193)	
Net Position	$ 21,561	$ 20,854	3.39 %

In 2016, Current Assets showed a decrease in combined Cash/Restricted Cash.

Capital assets increased by various school district improvements and purchases as shown in Note 5 to the basic financial statements. However, depreciation, serves to reduce the total Capital assets.

The Net Pension Asset-Proportionate share is provided by the New York State Teachers' Retirement System for GASB No. 68 as of the most recent measurement date.

Deferred Outflows of Resources represents deferred charges as a result of two advanced refunding of bonds as well as amounts provided from cost sharing pension plans.

Current Liabilities and Unearned Revenue did not show a significant change.

Non-current liabilities within the grouping had a decrease in serial bonds and the energy performance contract, but the postemployment benefit obligations and a change in the Net Pension Liability for ERS-proportionate share, impacted the increase. Also included in non-current liabilities are calculated long-term compensated absences.

Deferred Inflows of Resources relates to amounts provided from cost sharing pension plans. Pension information is included in Note 10 to the financial statements.

Net investment in capital assets relates to capital assets at cost such as land, buildings and improvements, and furniture and equipment, etc. and subtracting accumulated depreciation, related bond debt and adjustments related to the refunding (premium and deferred outflow). The net investment in capital assets showed an increase over the prior year. The additions were more than the depreciation by $2,945,677. However, the financing related to the assets decreased by $4,157,215.

- Restricted resources of $18,863,823 are composed of amounts detailed under "Financial Analysis of the District's Funds".

- The unrestricted resources deficit, in the amount of ($29,946,303) relates to the balance of the District's net position including assigned and unassigned fund balances less unfunded liabilities. The District is only permitted to fund other postemployment benefits on a "pay as you go" basis. New York State has not put into legislation a vehicle to accumulate funds for the Net OPEB obligation.

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in the accompanying financial statements. The comparison of fiscal years 2016 and 2015 follows in Table A-4.

Table A-4
Changes In Net Position From Operating Results (in thousands of dollars)

	Governmental Activities 2016	Governmental Activities 2015	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 1,291	$ 1,337	
Operating Grants	1,851	1,896	
General Revenues			
Real Property Taxes and Tax Items	58,860	58,040	
State Aid - General	24,643	23,688	
Other	2,413	2,342	
Total Revenues	$ 89,058	$ 87,303	2.01%
Expenses			
General Support	12,579	12,305	
Instruction	69,960	65,954	
Pupil Transportation	3,568	3,480	
Community Service	112	139	
Debt Interest	1,055	1,170	
Debt Issuance Costs	-	61	
School Lunch Program	1,077	1,086	
Total Expenses	88,351	84,195	4.94%
Increase/(Decrease) in Net Position	707	3,108	
Net Position -beginning of year	20,854	17,746	
Net Position-end of year	$ 21,561	$ 20,854	3.39%

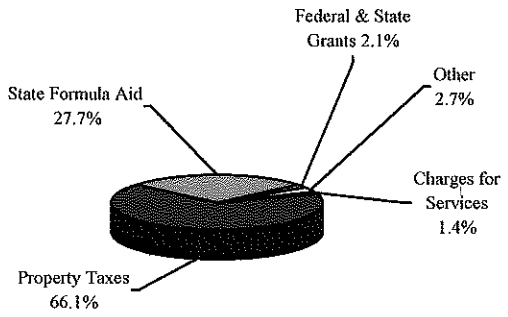
Revenues

- Property taxes and state aid contributed most of the revenue.
- Charges for Services include tuition, fees and related services.
- Operating Grants are state and federal funds received for school lunch reimbursement and special aid instruction.

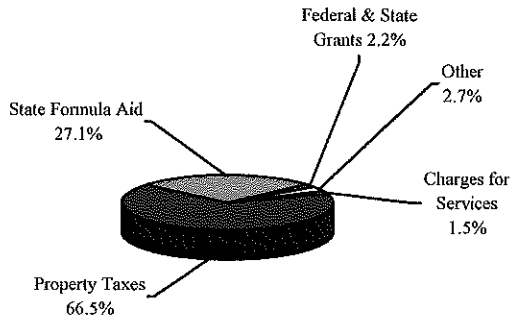
Table A-5

Source of Revenues for Governmental Activities Fiscal Year

2016



2015

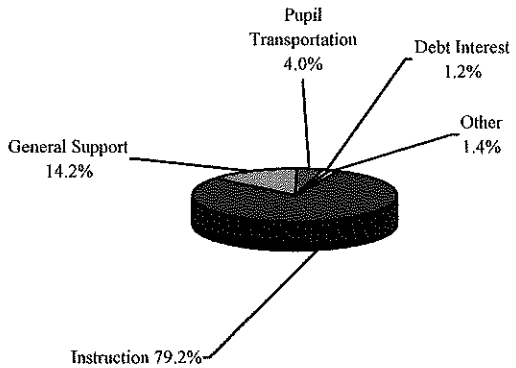


Expenses

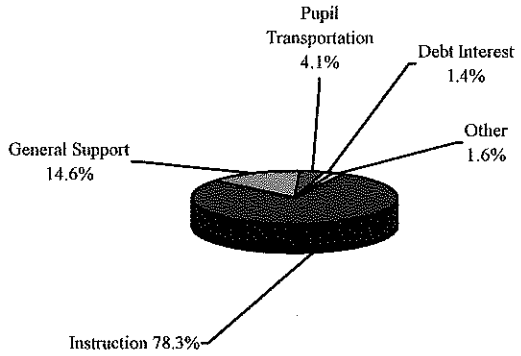
The District's expenses are predominantly related to general support, instruction and transporting students. The District's general support activities accounted for 14.2 percent of expenses. On the charts, "Other" includes community service, the school lunch program and debt issuance costs on refunding of bonds.

Table A-6
Expenses for Fiscal Year

2016



2015



Governmental Activities

The continued good health of the District's finances can be credited to:

- Leadership of the District's Board of Education.
- Board of Education and Administration's oversight of the District's finances.
- The District's Policy review process that has resulted in Policies and Procedures being updated in a timely manner.
- Continued assessment, implementation and improvement of financial internal control structure.
- The constructive recommendations provided by External, Internal, and Claims Audit processes.
- Approval of the annual budget and support of the community.
- Long-range fiscal strategies that have effectively utilized the District's available resources; and the use of reserve and surplus funds.
- Responsible Budgeting practices have provided for the continued good fiscal health of the School District.
- A stable tax base with strong wealth levels.
- The District's continued strong financial position that will remain healthy given the sound fiscal management with conservative budget practices.
- The ability to provide additional cost effective program opportunities for students during fiscal downturns and the ability to adjust for economic or demographic changes.

- In accordance with the Fiscal Stress Monitoring System, implemented by the Office of the State Comptroller, Sayville School District has received a "No Fiscal Stress Designation" for the three years the Monitoring System has been in place.
- The effective management and use of the District's strong fund balance and reserve levels.
- In a recent updated Tax Levy Analysis of Long Island School Districts performed by the District, Sayville's Tax Levy was less than that average of all Long Island and Suffolk County Schools in ten (10) out of the last twelve (12) years. This is the result of prudent fiscal management policies that have allowed the District to enhance instructional and support programs, while balancing the fiscal needs of the community.

Table A-7 shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Net Cost of Governmental Activities (in thousands of dollars)

	2016		2015	
	Total Cost	Net Cost	Total Cost	Net Cost
General Support	$ 12,579	$ 12,579	$ 12,305	$ 12,305
Instruction	69,960	67,909	65,954	63,843
Pupil Transportation	3,568	3,568	3,480	3,480
Debt Interest	1,055	1,055	1,170	1,170
Debt Issuance Costs	-	-	61	61
Community Service	111	111	139	139
School Lunch	1,077	(13)	1,086	(35)
Total	$ 88,350	$ 85,209	$ 84,195	$ 80,963

- Most of the net costs of $85,209,281 were financed by District's taxpayers and government aid.

- The total costs of all government activities this year was $88,350,526.

- The users of the District's programs funded $1,290,557 of the cost by "charges for services". Operating grants of $1,850,688 received for instruction and the school lunch program also reduced the total costs to the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of $21,797,439, which is a decrease of $4,922,358 from the prior year. This decrease is due to an excess of expenditures over revenues. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows:

	2016	2015	Increase (Decrease)
General Fund			
Nonspendable	$ -	$ 222,545	$ (222,545)
Restricted for:			
Bonded debt	199,628	236,963	(37,335)
Tax Reduction	623,850	823,850	(200,000)
Employee benefit accrued liability	7,561,853	7,465,039	96,814
Retirement contribution	7,557,481	6,888,159	669,322
Workers' compensation	2,201,631	2,186,631	15,000
Unemployment insurance	719,380	754,380	(35,000)
Subtotal-Restricted	18,863,823	18,355,022	508,801
Assigned:			
Designated fund balance for subsequent year's budget	2,155,000	2,376,600	(221,600)
General Government expenditures	2,111,497	2,263,307	(151,810)
Unassigned	3,947,778	3,353,406	594,372
	27,078,098	26,570,880	507,218
School Lunch Fund			
Nonspendable: Inventory	18,813	22,164	(3,351)
Assigned	121,179	109,622	11,557
	139,992	131,786	8,206
Capital Projects Fund			
Assigned	-	17,131	(17,131)
Unassigned	(5,420,651)		(5,420,651)
	(5,420,651)	17,131	(5,437,782)
	$ 21,797,439	$ 26,719,797	$ (4,922,358)

General Fund

The net change in the general fund – fund balance is an increase of $507,218 as revenues of $86,337,105 were more than expenditures of $85,829,887.

A. School Lunch Fund

The school lunch fund had an ending balance of $139,992 whereas the fund had a balance of $131,786 the prior year. Nonspendable inventory amounted to $18,813.

B. Capital Projects Fund

The net change in the capital projects fund – fund balance was ($5,437,782) for project expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Many factors and variables occur during the daily business operations of the school district. The District actively manages the revenue budget to maximize all state aid claims and miscellaneous receipts.

Simultaneously, budgetary savings were achieved through competitive purchasing efforts and reduced spending. Other significant factors include:

(A) 2015-2016 Budget

The District's general fund adopted budget for the year ended June 30, 2016 was $89,405,025. This amount was increased by encumbrances carried forward from the prior year in the amount of $2,263,307 and an approved budget amendment of $15,000 for a final budget of $91,683,332.

The actual results for the year show an excess of revenues over expenditures in the amount of $507,218.

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

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

Unassigned Fund Balance

Opening, Unassigned Fund Balance	$	3,353,406
Revenues Over Budget		541,368
Restricted Reserves Appropriated		(1,247,688)
Expenditures and Encumbrances under budget		3,741,948
Decrease in nonspendable fund balance		222,545
Changes in Restricted Fund Balance		(508,801)
Assigned, Designated for June 30, 2017 budget		(2,155,000)
Closing, Unassigned Fund Balance	$	3,947,778

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for the subsequent year's budget. This amount is limited to 4% of the 2016-2017 budget. The actual unassigned fund balance for the period ending June 30, 2016 is $3,947,778. This amount represents 4.38% of the 2016-2017 budget. The excess unassigned fund balance above the 4% was provided to cover the costs of two boiler failures at one of the Districts' facilities. The Board of Education declared a health

and safety emergency on July 1, 2016 to provide for the replacement of these boilers. Once the monies were appropriated on July 1, 2016, unassigned fund balance was reduced to the 4% limit.

There were changes in revenue (plus and minus) that accounted for the Revenues over budget of $541,368. State sources $114,368, Sale of Property and Compensation for Loss $137,872 and Miscellaneous $160,623 contributed to the amount over budget.

In accordance with Schedule SS-1, the total unencumbered balance equaled $3,741,948. The following represents a brief summary of the significant items that were under budget that resulted from savings achieved through reduced spending and effective budget management:

- The largest area of General Support under budget was for Central Services in the amount of $683,799. The following are some of the significant factors attributable to this savings:
    - Personnel changes/retirements in the Operations, Maintenance and Grounds areas during the school year which resulted in $47,089.
    - An Energy Performance contract was completed in the 2012-13 school year. Continued energy consumption savings and lower energy costs into the 2015-2016 year was approximately $551,748.

- Of the $1,973,916 savings under Instruction, the greatest savings were experienced in Teaching-Regular School ($444,633) and Programs for Children with Handicapping Conditions ($627,081).
    - In the area of Teaching-Regular School, the budgetary savings is attributable to several reasons, such as personnel changes and retirements, coupled with the continuation of State and Federal Grant funding levels that provided for staff funding under our Compensatory Title and Professional Development Grants.
    - Within the area of Children with Handicapping Conditions, the achieved budgetary savings are a direct result of several children with handicapping conditions being brought back into District operated programs from BOCES and other Public School Placements, coupled with effective use of Special Education outside consultants and internal support staff, and also the effective use of our Special Education Grant funding to support Children with Handicapping Conditions program needs.

- Public Transportation experienced a savings of $387,977. This is a direct result of several factors:
    - Transportation Contracts can either be re-bid annually or the contractor can agree to renew at the May 31st CPI for the following school year. For the 2015-16 school year, the District anticipated a 1% increase for contractual transportation costs based on a CPI renewal. The actual May 31, 2015 CPI came in at 0.00% increase.
    - Less van buses were needed due to more effective bus routing.
    - Realized cost reductions (sharing credits) for ride sharing with neighboring Districts.

- Employee Benefits shows an unencumbered balance of $510,498. The predominant savings were in the FICA costs and health costs. FICA savings are the result of personnel changes and retirements. In the area of health costs, the District realized a continued savings moving from a self-insured health plan to the NYSHIP Governmental Plan on January 1, 2015. During the 2015-16 school year there were no additional costs incurred for claims run-out of the previous self-insured health plan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2016, the District had invested $58,345,975 net of accumulated depreciation in a broad range of capital assets, including land, buildings and improvements, furniture, machinery and equipment and vehicles. Total depreciation expense for the year was $3,690,986 and additions to building improvements and machinery and equipment amounted to $1,188,295, which includes a rollover of Construction in Progress from the prior year, as well as additional Construction in Progress of $5,448,368.

Table A-8
Capital Assets (net of depreciation, in thousands of dollars)

	Governmental Activities	
	2016	2015
Land	$ 306	$ 306
Construction in Progress	5,448	152
Buildings	50,097	52,527
Site Improvements	414	437
Machinery/Equipment/Vehicles	2,081	2,130
Total	$ 58,346	$ 55,552

More detailed information can be found in Note 5 and Note 6 to the Financial Statements.

Long-Term Debt

At year-end, the District had $18,125,000 (non-current portion) of general obligation bonds adjusted for the non-current portion of premium related of $359,460 in addition to other long-term debt outstanding. More detailed information is presented in Note 8 to the Financial Statements. Information on the Net Other Postemployment Benefits is shown separately in Note 11 and the Net Pension Liability-ERS is addressed in Note 10.

Outstanding Long-Term Debt (in thousands of dollars)

	Fiscal Year	
	2016	2015
Serial Bonds	$ 18,484	$ 20,345
Net Pension Liability-ERS	5,398	1,140
Energy Performance Contact	5,181	5,640
Compensated Absences	7,487	7,175
Net OPEB Obligation	43,196	36,750
Total	$ 79,746	$ 71,050

FACTORS BEARING ON THE DISTRICT'S FUTURE

Through the support of the Board of Education, the District has implemented a long-term fiscal plan that continues to enhance the fiscal health of the School District. This is evidenced by past and current year audited Financial Statements. Sayville School District is committed to providing quality instructional programs and educational opportunities for our students. The current fiscal plan provides the necessary foundation to support our exemplary programs – currently and into the future.

However, at the time these Financial Statements were prepared, the District was aware of several circumstances that could impact the future:

- The District recently Re-funded two outstanding Serial Bond issues saving approximately $2 million in debt service over the remaining 12.5 year life of the bonds.

- The District's Moody's rating was recently upgraded to Aa1 from Aa2.

- The tax levy cap percentage for school districts is based on the December consumer price index (CPI). The regulations require us to use the LOWER of 2% or the December 31st CPI. CPI is currently trending about 1% and is not projected to grow much higher by December 2016. Therefore, it is anticipated that the CPI used for the 2017-18 levy cap calculation may be as low as 1%. Sayville's new Pilot Project and reductions in annual debt service costs will continue to further reduce the calculated tax levy cap.

- Continued fiscal burden for local school districts to fund additional Federal, State, and local **unfunded mandates**.

- New York State's lack of commitment to fund the current State aid formula.

- New York State's ability to provide mandate relief in order to reduce the fiscal burden to local taxpayers.

- New York State's ability to provide the necessary Legislation to allow public schools to begin funding Other Postemployment Benefits (OPEB) in accordance with GASB 45 disclosure and reporting requirements.

- New York State's ability to create Legislation that would allow public schools to establish a Teacher Retirement reserve (TRS) to help better plan for future retirement costs.

- The limited financial markets and the continued consolidation of financial institutions, thus limiting available resources.

- The effect of rising interest rates on the District's Tax Anticipation Notes (Tan's), Bond Anticipation Notes (BAN's) and future Bond borrowings.

- The anticipated sale of 66 Tyler Avenue property (old maintenance facility) may provide for an additional tax reserve to be used up to a ten year period to lower future tax levies.

While the District is aware of the potential fiscal effects of the above circumstances, its aggressive fiscal management Practices and Policies will continue to provide the oversight to maintain and grow the fiscal resources necessary to support our current programs and instructional opportunities in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, contact Mr. John J. Belmonte, Assistant Superintendent for Business, Sayville Union Free School District, 99 Greeley Avenue, Sayville, New York 11782.

Exhibit 1

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS		
Current Assets:		
Cash	$	11,127,798
Restricted Cash		18,904,303
Accounts Receivable		61,595
State and Federal Aid Receivable		2,705,102
Due from Fiduciary Fund		1
Inventories		18,813
Total Current Assets		32,817,612
Non-Current Assets:		
Net Pension Asset-TRS		21,862,535
Capital Assets-Not Being Depreciated		5,754,108
Capital Assets Being Depreciated, Net of Accumulated Depreciation		52,591,867
Total Assets		113,026,122
DEFERRED OUTFLOWS		
Deferred Charge on Refundings		281,735
Deferred Outflows Related to Pensions		9,656,745
Total Deferred Outflows of Resources		9,938,480
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities		1,901,831
Bond Interest and Matured Bonds		40,480
BAN's Payable		4,000,000
Due to Other Governments		43
Serial Bonds Payable - Due Within One Year		1,860,473
Energy Performance Contract - Due Within One Year		458,909
Due To NYS Teachers' Retirement System		4,433,478
Due to NYS Employees' Retirement System		376,667
Compensated Absences Payable-Due Within One Year		297,237
Unearned Revenue		52,916
Total Current Liabilities and Unearned Revenue		13,422,034
Non-Current Liabilities:		
Serial Bonds Payable		18,484,460
Energy Performance Contract		5,180,816
Net Pension Liability-ERS		5,398,241
Net OPEB Obligation		43,196,373
Compensated Absences Payable		7,486,639
Total Non-Current Liabilities		79,746,529
Total Liabilities and Unearned Revenue		93,168,563
DEFERRED INFLOWS		
Deferred Inflows Related to Pensions		8,235,467
NET POSITION		
Net Investment in Capital Assets		32,643,052
Restricted		18,863,823
Unrestricted (Deficit)		(29,946,303)
Total Net Position	$	21,560,572

See Accompanying Notes to the Basic Financial Statements.

Exhibit 2

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General Support	$ 12,578,734	$	$	$ (12,578,734)
Instruction	69,960,065	443,476	1,607,348	(67,909,241)
Pupil Transportation	3,568,367			(3,568,367)
Community Service	111,562			(111,562)
Debt Interest Expense	1,054,662			(1,054,662)
School Lunch Program	1,077,136	847,081	243,340	13,285
Total Functions and Programs	$ 88,350,526	$ 1,290,557	$ 1,850,688	$ (85,209,281)

GENERAL REVENUES	
Real Property Taxes	51,886,355
Other Tax Items Including STAR Reimbursement	6,973,472
Use of Money and Property	1,851,153
Sale of Property and Compensation for Loss	143,972
Miscellaneous	331,379
Federal Sources	86,261
State Aid-General	24,642,868
Total General Revenues	85,915,460
Change in Net Position	706,179
Total Net Position - Beginning of Year	20,854,393
Total Net Position - End of Year	$ 21,560,572

See Accompanying Notes to the Basic Financial Statements.

Exhibit 3

SAYVILLE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Governmental Total
ASSETS					
Cash	$ 10,306,346	$ 387,463	$ 196,106	$ 237,883	$ 11,127,798
Restricted Cash	18,904,303	-	-	-	18,904,303
State and Federal Aid Receivable	1,437,619	1,254,691	12,792	-	2,705,102
Due From Other Funds	3,228,768	-	-	-	3,228,768
Due From Fiduciary	1	-	-	-	1
Accounts Receivable	59,548	-	2,047	-	61,595
Inventories	-	-	18,813	-	18,813
Total Assets	$ 33,936,585	$ 1,642,154	$ 229,758	$ 237,883	$ 36,046,380
LIABILITIES					
Accounts Payable and Accrued Liabilities	$ 1,666,484	$ 88,878	$ 31,507	$ -	$ 1,786,869
Accrued Interest Payable	32,483	-	-	-	32,483
BAN's Payable	-	-	-	4,000,000	4,000,000
Bond Interest and Matured Bonds	40,480	-	-	-	40,480
Due To Other Funds	50	1,550,753	19,431	1,658,534	3,228,768
Due To Other Governments	-	-	43	-	43
Due To NYS Teachers' Retirement System	4,433,478	-	-	-	4,433,478
Due To NYS Employees' Retirement System	376,667	-	-	-	376,667
Compensated Absences Payable	288,777	-	8,460	-	297,237
Unearned Revenue	20,068	2,523	30,325	-	52,916
Total Liabilities and Unearned Revenue	6,858,487	1,642,154	89,766	5,658,534	14,248,941
Fund Balances:					
Nonspendable	-	-	18,813	-	18,813
Restricted					
Bonded Debt	199,628	-	-	-	199,628
Employee Benefit Accrued Liability	7,561,853	-	-	-	7,561,853
Retirement Contribution	7,557,481	-	-	-	7,557,481
Workers' Compensation	2,201,631	-	-	-	2,201,631
Unemployment Insurance	719,380	-	-	-	719,380
Tax Reduction	623,850	-	-	-	623,850
Assigned:					
Appropriated Fund Balance:	2,111,497	-	-	-	2,111,497
Designated for subsequent year's budget	2,155,000	-	-	-	2,155,000
Other	-	-	121,179	-	121,179
Unassigned	3,947,778	-	-	(5,420,651)	(1,472,873)
Total Fund Balances	27,078,098	-	139,992	(5,420,651)	21,797,439
Total Liabilities and Fund Balances	$ 33,936,585	$ 1,642,154	$ 229,758	$ 237,883	$ 36,046,380

See Accompanying Notes to the Basic Financial Statements.

Exhibit 4

SAYVILLE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Governmental Fund Balances		$ 21,797,439
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, building, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 112,332,315	
Accumulated depreciation	(53,986,340)	58,345,975
Net Pension Asset related to NYS Teachers' Retirement System. This asset does not appear on the funds balance sheet as it represents a long term asset.		21,862,535
Governmental funds report the issuance costs and similar items when debt is first issued, whereas the loss on refunding is amortized and treated as a deferred outflow of resources in the Statement of Net Position.		281,735
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable-including premium on refunding	20,344,933	
Energy Performance Contract	5,639,725	
Accrued interest on bonds payable	82,479	
Compensated absences (less portion in General Fund)	7,486,639	
Net Pension Liability-ERS	5,398,241	
Net OPEB obligation	43,196,373	(82,148,390)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to NYSTRS ($4,346,050) and NYSERS ($5,310,695)	9,656,745	
Deferred inflows of resources related to NYSTRS ($7,593,129) and NYSERS ($642,338)	(8,235,467)	1,421,278
Total Net Position		$ 21,560,572

See Accompanying Notes to the Basic Financial Statements.

Exhibit 5

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS6FOR YEAR ENDED JUNE 30, 2016

	Governmental Fund Types				Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Total
Revenues:					
Real Property Taxes	$ 51,886,355	$ -	$ -	$ -	$ 51,886,355
Real Property Tax Items (Including STAR Reimbursement)	6,973,472	-	-	-	6,973,472
Charges for Services	443,476	-	-	-	443,476
Use of Money and Property	1,851,045	-	108	-	1,851,153
Sale of Property and Compensation for Loss	143,972	-	-	-	143,972
Medicaid	86,261	-	-	-	86,261
Miscellaneous	306,123	-	7,256	18,000	331,379
State and Local Sources	24,642,868	691,535	12,248	-	25,346,651
Federal Sources	-	915,813	168,335	-	1,084,148
Surplus Food	-	-	62,757	-	62,757
Sales-School Breakfast and Lunch Program	-	-	847,081	-	847,081
Total Revenues	86,333,572	1,607,348	1,097,785	18,000	89,056,705
Expenditures:					
Current:					
General Support	9,769,710	-	-	-	9,769,710
Instruction	47,236,545	1,613,779	-	-	48,850,324
Pupil Transportation	3,400,512	139,620	-	-	3,540,132
Community Services	77,277	-	-	-	77,277
Employee Benefits	19,137,457	30,991	83,702	-	19,252,150
Cost of Sales	-	-	1,005,877	-	1,005,877
Debt Service:					
Principal	4,128,394	-	-	-	4,128,394
Interest	1,102,950	-	-	-	1,102,950
Capital Outlay	-	-	-	6,252,249	6,252,249
Total Expenditures	84,852,845	1,784,390	1,089,579	6,252,249	93,979,063
Excess (Deficiency) of Revenues Over Expenditures	1,480,727	(177,042)	8,206	(6,234,249)	(4,922,358)
Other Sources and (Uses):					
Operating Transfers In	3,533	177,042	-	800,000	980,575
Operating Transfers Out	(977,042)	-	-	(3,533)	(980,575)
Total Other Sources (Uses)	(973,509)	177,042	-	796,467	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	507,218	-	8,206	(5,437,782)	(4,922,358)
Fund Balance Beginning of Year	26,570,880	-	131,786	17,131	26,719,797
Fund Balance End of Year	$ 27,078,098	$ -	$ 139,992	$ (5,420,651)	$ 21,797,439

See Accompanying Notes to the Basic Financial Statements.

Exhibit 6

SAYVILLE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Excess of Revenues and Other Sources Over Expenditures and Other (Uses)		$ (4,922,358)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital Related Differences:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	$ 6,484,395	
Depreciation expense	(3,690,986)	2,793,409
Long-Term Debt Transaction Differences		
Repayment of bond principal and energy performance contract obligations is an expenditure in the government funds, but it reduces the long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Serial bonds	3,684,000	
Energy performance	444,394	4,128,394
Interest on long-term debt in the Statement of Activities differs from the amount reported in the government funds because interest is recorded as an expenditure in 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 for June 30, 2015 to June 30, 2016 decreased by		19,467
Government funds report the issuance costs and similar items when debt is issued, whereas premium on refunding as well as a deferred charge on refunding is amortized for the Statement of Activities.		
Amortization of premiums on refundings	85,473	
Amortization of deferred charges on refundings	(56,652)	28,821
Long-Term Expense Differences		
In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Compensated absences changed by	311,029	
Increase in Postemployment benefits (Net OPEB Obligation)	6,446,221	(6,757,250)
Governmental funds report retirement system contributions as expenditures. Increases/decreases in the proportionate share of net pension asset/liability and related inflows/outflows do not use current resources and therefore are not reported in governmental funds.		
Teachers' Retirement System	5,788,702	
NYSLRS-ERS	(373,006)	5,415,696
Changes in Net Position of Governmental Activities		$ 706,179

See Accompanying Notes to the Basic Financial Statements.

Exhibit 7

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Fund	Agency Fund
ASSETS		
Cash	$ 562,433	$ 424,656
Total Assets	562,433	424,656
LIABILITIES		
Extraclassroom Activity Balances	-	178,304
Group Insurance and Benefits	-	106,570
Due to Other Funds	-	1
Other Liabilities	-	139,781
Total Liabilities	-	$ 424,656
NET POSITION		
Held in Trust For:		
Endowment Scholarships	562,433	
Total Net Position	$ 562,433	

See Accompanying Notes to the Basic Financial Statements.

Exhibit 8

SAYVILLE UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

		Private Purpose Fund
ADDITIONS		
Gifts and Donations	$	41,175
Interest		546
Total Additions		41,721
DEDUCTIONS		
Scholarship Expenses		15,735
Total Deductions		15,735
Change in Net Position		25,986
Net Position- Beginning		536,447
Net Position- Ending	$	562,433

See Accompanying Notes to the Basic Financial Statements.

Note 1 – Summary of certain significant accounting policies:

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are 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. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to, public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB Statement 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB No. 14 and No. 34.* This statement modifies certain requirements for the financial reporting entity to address since the issuance of GASB Statement No. 14. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a reporting financial entity.

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, a financial benefit or burden relationship and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extraclassroom Activity Funds:

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

B) Joint venture:

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2016, the District was billed $5,116,963 for administrative and program costs. Financial statements for BOCES are available from the BOCES Administrative Offices.

C) Basis of presentation:

i) **Government-wide financial statements:**

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except

those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, if applicable, reflects capital-specific grants.

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

ii) **Fund financial statements**:

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

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

Debt Service Fund: This fund is to show the details of the current refunding and will show no fund balance.

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

Capital Projects Funds: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

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

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

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

D) Measurement focus and basis of accounting:

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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, energy performance contracts and acquisitions under capital leases are reported as other financing sources.

E) Cash and 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. 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. Investments are stated at fair value.

F) Property taxes:

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes were collected by the Town(s) and remitted to the District. Uncollected real property taxes are subsequently enforced by Suffolk County.

G) Accounts Receivable:

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

H) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventorial 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.

I) Due to/from other funds:

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

J) Capital assets:

Capital assets are reported at actual cost where available. In certain cases, historical costs have been estimated based on appraisals conducted by an independent appraisal company. Donated assets are reported at estimated fair market value at the time received.

The District's capitalization policy is as follows:

There is a threshold in place of $1,000, which indicates the dollar value at and above which an acquisition is added to the capital assets report. However, all costs, regardless of the amount, are included for Land. No depreciation is calculated on Construction-in-progress until completion.

	Depreciation Method	Estimated Useful Life
Buildings/Building Improvements	Straight Line	15-50 years
Site Improvements	Straight Line	20 years
Equipment and Vehicles	Straight Line	5-20 years

K) Vested employee benefits – Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

L) Other benefits:

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The 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 expenditure in the General Fund. In the Government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting in accordance with GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Additional information on the retirement system in accordance with GASB Statement No. 68 is found in Note 10.

M) Equity Classifications:

Government-wide statements

In the government-wide statements there are three categories of net position:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to those assets are to be included in this component as well.

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.net position

Fund Statements

Fund balances are reported in accordance with GASB Statement No. 54. The intention of the Statement to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balance, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of a permanent fund. The District has inventories and prepaid expenses that are considered nonspendable.

In addition to nonspendable fund balance GASB 54 has provided a hierarchy of four spendable fund balances, based on a hierarchy of spending constraints that impact the District.

- Restricted:

Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. A discussion of the Restricted amounts follows:

Reserve for Retirement Contribution

Retirement Contribution Reserve (GML§6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund.

Workers' Compensation Reserve

Workers' Compensation Reserve (GML§6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

Reserve for Debt Service

Mandatory reserve for debt service (GML§6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are recorded in the reserve for debt and held until appropriated for debt payments. The reserve is accounted for in the General Fund.

Reserve for Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML§6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon the termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary

appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Reserve for Unemployment Insurance

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

Reserve for Tax Reduction

This reserve is authorized under Education Law (Education Law Section 1604 (36 and Section 1709 (37))and permits the District to retain the proceeds from the sale of school district real property that are not needed to pay any debts. The proceeds are used to reduce real property taxes over a period not to exceed ten years. It may be established and expended without voter approval. This reserve was established in the current year with the sale of a library building. Such reserve is accounted for in the General Fund.

- Committed:

  Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority are committed. The District has no funds classified as committed.

- Assigned:

  Fund balances that contain self-imposed constraints of the government to be used for a particular purpose are assigned. This will include an amount appropriated to partially fund the subsequent year's budget as well as encumbrances, not otherwise classified as restricted.

- Unassigned:

  Fund balance of the general fund that is not constrained for a particular purpose is unassigned.

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

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

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

N) <u>Budgetary procedures and budgetary accounting:</u>

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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.

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.

The General Fund is the only fund with a legally authorized appropriated budget.

O) Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as appropriated fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Refer to Note 14 for additional information.

P) Unearned revenue:

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Q) 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

R) Short-term debt:

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

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

S) Long-term liabilities:

Payables, accrued liabilities and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Note 2 – Explanation of Certain Differences Between the Governmental Fund Statements and District-wide Statements:

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

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

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

i) Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement

of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modification accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because 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.

Note 3 – Stewardship and Compliance:

The District's unreserved-undesignated fund balance was slightly in excess (4.38%) of the New York State Real Property Tax Law (1318) limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

Note 4 – Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as previously discussed in these Notes. Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 school districts. During the fiscal year 2016, the District has invested in deposits within the above-described parameters.

In order to give an indication of the level of risk assumed by the District, bank balances are classified by the following categories:

(1) Insured or collateralized with securities held by the District or by its agent in the District's name.

(2) Collateralized with securities held by the pledging financial institution's trust department or Agent in the District's name.

(3) Uncollateralized (This includes any balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.)

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end. The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District does not typically purchase investments dominated in foreign currency, and is not exposed to foreign currency risk.

Restricted Cash represents amounts at year end that are set aside at June 30, 2016 for specific restricted reserves.

Note 5 – Capital assets:

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

Capital Assets That Are Not Depreciated:				
Land	$ 305,740	$ -	$ -	$ 305,740
Construction in Progress	152,268	5,448,368	(152,268)	5,448,368
Total Nondepreciable Cost	$ 458,008	$ 5,448,368	$ (152,268)	$ 5,754,108
Capital Assets That Are Depreciated:				
Buildings/Building Improvements	$ 99,200,424	$ 906,424	$ -	$ 100,106,848
Site Improvements	1,046,084		-	1,046,084
Machinery and Equipment	4,454,057	266,042	-	4,720,099
Vehicles	689,347	15,829	-	705,176
Total Depreciable Cost	105,389,912	1,188,295	-	106,578,207
Less:				
Accumulated Depreciation:				
Buildings/Building Improvements	46,673,068	3,336,545	-	50,009,613
Site Improvements	608,894	22,764	-	631,658
Machinery and Equipment	2,540,739	284,865	-	2,825,604
Vehicles	472,653	46,812	-	519,465
Total Accumulated Depreciation	50,295,354	3,690,986	-	53,986,340
Total Depreciable-Net	$ 55,094,558	$ (2,502,691)	$ -	$ 52,591,867
Grand Total	$ 55,552,566	$ 2,945,677	$ (152,268)	$ 58,345,975

Depreciation has been allocated to governmental functions as follows:

General Support	$	200,975
School Lunch Program		6,413
Instruction		3,483,598
Total Depreciation Expense	$	3,690,986

Note 6 – Construction and Lease of Library Building:

On November 1, 2006 the voters of the Sayville Union Free School District approved the construction of a Library. This building will be constructed by the Library in accordance with the proposition. The School District will lease the Library Building to the Library and the Library will rent and lease such interest under the terms of an Agreement dated January 10, 2008.

Custody of the Bond Proceeds was held in the name of the School District. The "Rent" for the School District's leasehold interest is directly related to the reimbursement for principal and interest on the outstanding bonds. The Library construction is now complete and included in Capital Assets.

Note 7 – Short-term debt:

The District may issue Tax Anticipation Notes (TANs) prior to the receipt of tax revenue. In addition, Bond Anticipation Notes (BANs) may be issued to finance certain capital projects. While such notes are payable one year after issuance, Bond Anticipation Notes may be refinanced over a five-year period through note renewals and principal reductions. A $4,000,000 BAN was issued September 29, 2015 @ 1.50% interest to mature on September 29, 2016. There were no short term debt borrowings at the beginning of the fiscal year.

The Long Term Debt Schedule is on the following page

Note 8– Long-term debt:

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable/Contracts:					
Serial Construction Bonds	$ 23,584,000	$ -	$ 3,684,000	$ 19,900,000	$ 1,775,000
Premium on Issues	530,406	-	85,473	444,933	85,473
Energy Performance Contract	6,084,119	-	444,394	5,639,725	458,909
Total Bonds Payable/Contracts	30,198,525	-	4,213,867	25,984,658	2,319,382
Other Liabilities:					
Compensated Absences	7,235,648	621,568	73,340	7,783,876	297,237
Net Pension Liability -ERS	1,140,098	4,258,143	-	5,398,241	-
Total Long-Term Liabilities	$ 38,574,271	$ 4,879,711	$ 4,287,207	$ 39,166,775	$ 2,616,619

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

Advance Refunding-Prior-Fiscal 2012-2013

In a prior year, the District issued $11,050,000 of 2012 Refunding Bonds at an interest rate varying between 2.00%-4.00% maturing on April 15, 2021.

The reacquisition price (amount put in escrow) $11,571,739 exceeded the net carrying amount of the old debt by $451,739 and is an economic loss on refunding. This deferred outflow, being amortized, is shown on the Statement of Net Position. The premium received on refunding $642,217 is amortized over the life of the new debt. The remaining balance of $369,275 is included in the long term debt- serial bond schedule.

As of June 30, 2013, $11,120,000 of outstanding Serial Bonds-2002, Series A, B, C and D are considered defeased.

Advance Refunding-Prior Year 2014-2015

During 2014-2015 the District issued $1,225,000 of 2015 Refunding Bonds at an interest rate of 3% maturing on June 15, 2025 to refund $1,225,000 of 2005 Serial Bonds maturing June 15, 2025 and bearing interest at 4.000-4.250%).

The reacquisition price (amount put in escrow) $1,250,039 exceeded the net carrying amount of the old debt by $25,039 and is an economic loss on refunding. The premium received on refunding $86,167 is amortized over the life of the new debt and the remaining balance of $75,658 is included in the long term debt- serial bond schedule.

The loss on refunding is amortized and shown as a Deferred Outflow of Resources in accordance with GASB Statement No. 65.

As of June 30, 2015, $1,225,000 of outstanding Serial Bonds-2005 is considered defeased.

Serial Bonds:

Serial bonds outstanding will mature in installments, including interest as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 1,775,000	$ 771,177	$ 2,546,177
2018	1,790,000	707,803	2,497,803
2019	1,830,000	643,258	2,473,258
2020	1,900,000	576,250	2,476,250
2021	1,770,000	506,912	2,276,912
2022-2026	7,435,000	1,616,025	9,051,025
2027-2029	3,400,000	247,312	3,647,312
	$ 19,900,000	$ 5,068,737	$ 24,968,737

Original Amount	Year of Issue	Year of Maturity	Interest Rates %	Balance
$ 12,988,600	2008	2028	4.125-4.500	$ 8,400,000
11,650,000	2010	2029	3.000-4.000	8,300,000
11,050,000 R	2012	2021	3.000-4.000	1,840,000
299,000	2014	2019	1.000-2.100	245,000
1,225,000 R	2015	2025	3.000-3.000	1,115,000
				$ 19,900,000

R =Refunding

The following is a summary of amortization of the amounts on refunding:

Fiscal Year	2012 Premium on Refunding	2015 Premium on Refunding	2012 Deferred Outflow	2015 Deferred Outflow
2017	$ 77,066	$ 8,407	$ 54,209	$ 2,443
2018	77,066	8,407	54,209	2,443
2019	77,066	8,407	54,209	2,443
2020	77,066	8,407	54,209	2,443
2021	61,011	8,406	42,913	2,443
2022-2025		33,624		9,771
	$ 369,275	$ 75,658	$ 259,749	$ 21,986

Energy Performance Contract:

Financing is provided @3.240% for a 15 year energy performance contract provided by Johnson Controls (Equipment).

Fiscal Year	Principal	Interest	Total
2017	$ 458,909	$ 179,040	$ 637,949
2018	473,898	164,051	637,949
2019	489,376	148,572	637,948
2020	505,360	132,588	637,948
2021	521,867	116,081	637,948
2022-2026	2,876,427	313,315	3,189,742
2027	313,888	5,085	318,973
	$ 5,639,725	$ 1,058,732	$ 6,698,457

Interest on long-term debt, after adjustment for accruals and refunding amounts amortized, amounted to $1,032,665 and interest on short term borrowing amounted to $21,997.

Note 9 – Interfund balances and activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 3,228,769	$ 50	$ 3,533	$ 977,042
School Lunch Fund	-	19,431		
Special Aid Fund	-	1,550,753	177,042	
Capital Projects Fund		1,658,534	800,000	3,533
Total Governmental Activities	$ 3,228,769	$ 3,228,768	$ 980,575	$ 980,575
Agency Fund	21	22	-	-
Grand Totals	$ 3,228,790	$ 3,228,790	$ 980,575	$ 980,575

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. Interfund transfers are also eliminated. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 10– Pension plans:

Teachers' Retirement System-(TRS)

Plan Description
The New York State Teachers' Retirement System (NYSTRS or the "System" is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-menber Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information, please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at www.nystrs.org.

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1-Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2-Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provision of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law.

Tier 3-Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 15 and Article 15 of the Retirement and Social Security Law.

Tier 4-Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Tier 5-Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Tier 6-Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the Retirement and Social Security Law.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary. Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive a unreduced benefit for retirement at age 62 or retirement

at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55-56 regardless of service credit, or 57-61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service retirements above.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the Retirement and Social Security Law. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death Benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tiers 1 and 2 members may, under certain conditions, claim out of state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active members who had a prior membership may elect to be reinstated to their original date and tier of membership.

Article 19 Benefit Enhancement

Article 19 of the Retirement and Social Security Law allows eligible Tiers 1 and 2 members to receive additional service credit of one twelfth of a year for each year of

retirement credit as of the date of retirement or death up to a maximum of two additional years. Effective October 2000, Tier 3 and 4 members are no longer required to make 3% contributions after obtaining the earlier of 10 or more years of service credit or 10 or more years of membership.

Permanent Cost of Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of the annual benefit. The applicable percentage payable beginning September 2014 is 1.0%, remaining unchanged from the 1.0% paid beginning September 2013.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the Retirement and Social Security Law are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3% .

Contributions:

Employer Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate applicable to member salaries and adopted annually by the Retirement Board. Employer contributions for the current year and the two preceding years were equal to 100 percent of the contributions required and were as follows:

	TRS
2016	$ 4,332,578
2015	5,542,546
2014	4,993,713

Member Contributions

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary through their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active

membership in accordance with a schedule based upon salary earned. Pursuant to Article 15 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulate member contributions can be withdrawn or are paid as a life annuity.

Collective Net Pension Liability (Asset) and Actuarial Information

The components of the collective net pension liability (asset) of the participating school districts at June 30, 2015 (measurement date for TRS) was as follows:

	2015
Total pension liability	$ 99,332,103,743
System fiduciary net position	109,718,916,659
School districts' net pension liability (asset)	$ (10,386,812,916)
System fiduciary net position as a percentage Of Total pension liability	110.46%

(a) Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The actuarial valuations used the following actuarial assumptions:

Inflation	3%
Projected salary increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

Age	Female	Male
25	10.35%	10.91%
35	6.26	6.27
45	5.39	5.04
55	4.42	4.01

Projected COLAs	1.625 % compounded annually
Investment rate of return	8.0% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustment for mortality improvements based on Society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation dates of June 30, 2014 is summarized in the following table:

Asset Class	Target allocation	Long Term Expected Real Rate of return
Domestic Equity	37%	6.5%
International Equity	18	7.7
Real Estate	10	4.6
Alternative Investments	7	9.9
Domestic Fixed Income	17	2.1
Global Fixed Income	2	1.9
Mortgages	8	3.4
Short term	1	1.2
	100%	

*Real rates of return are net of the long-term inflation assumption of 2.3% for 2014.

(b) Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution

rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

(c) Sensitivity of the District's Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Sayville Union Free School District calculated using the discount rate of *8.0% as well as what the school district's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	7.0%	Current * 8.0%	9.0%
June 30, 2015	$ 1,491,307	($ 21,862,535)	($ 41,778,459)

District Deferred Outflows of Resources and Deferred Inflows of Resources

Differences Between Expected and Actual Experience

Differences between expected and actual experience with regard to economic and demographic factors are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. The average of the expected remaining lives of all employees that are provided with pension benefits through the System is 9.6 years for 2014 and 9.4 years for 2015.

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. There were no changes of assumptions.

Net Difference Between Projected and Actual Earnings on Pension Plan Investments

Differences between projected and actual earnings on pension plan investments are amortized over a closed 5-year period.

Changes in Proportion

The change in proportion is based on a measure that compares the individual employer to the employers and other contributing entities collectively—the employer's

proportion. Changes are amortized over future periods equal to the remaining service lives of all employees that are provided with benefits through the pension plan.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 605,904
Net difference between projected and actual earnings on pension plan investments	-	6,910,861
Changes in proportion	13,472	76,364
Contributions subsequent to the measurement date*	4,332,578	-
	$ 4,346,050	$ 7,593,129

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

Year ended June 30:	
2017	($ 2,795,144)
2018	(2,795,144)
2019	(2,795,144)
2020	1,141,584
2021	(83,247)
Thereafter	(252,562)

Pension Expense

Pension expense includes certain period changes in the District's net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. As of June 30, 2016 the District had a pension expense (revenue) of ($1,453,586) based on the measurement date.

Payables

The amount shown in the financial statements as Due to NYS Teachers' Retirement System represents a short term liability for an accrual of contractually required contributions for the current fiscal period.

Employees' Retirement System (ERS)

Plan Description and Benefits Provided

The Sayville Union Free School District participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as the "System". This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014 he was elected for a new term commencing on January 1, 2015. 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 employer 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 obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244 or accessed at www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Contributions

There are six tiers of membership. The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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 generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer' contributions based on salaries paid during the Systems fiscal year ending March 31. Employer contributions for the current year and the two preceding years were equal to 100 percent of the contributions required and were as follows:

	ERS
2016	$ 1,675,282
2015	1,813,609
2014	1,898,597

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of $5,398,241 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016 the District's proportion was 0.0336333 percent. For the year ended June 30, 2016, the District recognized pension expense of $2,002,965 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	$ 639,871	$ 27,279
Net Difference between projected and actual Investment earnings on Pension Plan investments	-	3,202,533
Changes in proportion and differences between Employer contributions and proportionate share of Contribution	2,467	267,840
Changes of assumptions	-	1,439,548
Contributions subsequent to the measurement date*	-	373,495
	$ 642,338	$ 5,310,695

*The amount of contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability shown in the financials for the District's fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense for the Plan Year as shown below:

Year ended March 31:	
2017	$ 1,096,440
2018	$ 1,096,440
2019	$ 1,096,440
2020	$ 1,005,542

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Investment rate of return	7.0% compounded annually, net of investment expenses
Salary scale-ERS	3.8% indexed by service
Decrements tables	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Inflation rate	2.5%
Mortality Improvement	Society of Actuaries Scale MP-2014
Cost of Living Adjustment	1.3% annually

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below.

Asset Class	Target allocation	Long-term Expected Real Rate of return
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	100%	

Discount Rate

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

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

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

		Current Assumption	
	6.0%	**7.0%**	**8.0%**
District's proportionate share of the net pension liability	$ 12,172,642	$ 5,398,241	$ (325,838)

Deferred Outflows of Resources and Deferred Inflows of Resources

- *Difference in Expected and Actual Experience –*

  The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period for ERS. Remaining years (after the first year of amortization) is shown as a deferred outflow of resources and is part of the amount to be amortized in future Plan years as shown above.

- *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments –*

  The difference between the Systems' expected rate of return of 7.5% and actual investment earnings on pension plan investments is amortized over a five-year closed period. Remaining years (after the first year of amortization) is shown as a deferred outflow of resources and is part of the amount to be amortized in future Plan years as shown above.

- *Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions –*

  The change in employer proportionate share is the amount of difference between the employer's proportionate share of net pension liability in the prior year compared to the current year. This difference is amortized over a five-year closed period for ERS. Remaining years (after the first year of amortization) is shown as a deferred inflow of resources and is part of the amount to be amortized in future Plan years as shown above.

- *Changes of Assumptions-*

  Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period. During the measurement period beginning April 1, 2015, there was a change of assumptions.

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2016, were as follows:

	(Dollars in Thousands)
Employers' total pension liability	$ 172,303,544
Plan Net Position	(156,253,265)
Employers' total pension liability	$ 16,050,279
System fiduciary net position as a percentage of total pension liability	90.7%

Payable to the Pension Plan

The amount shown on the financial statements as Due to NYS Employees' Retirement System represents a short term liability for an accrual of contractually required contributions for the period April 1, 2016-June 30, 2016.

Note 11- Postemployment Benefits:

The District provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels and employee contributions are governed by the District's contractual agreements. An outside actuarial firm determined the valuation for Sayville UFSD as of June 30, 2015 with disclosures as of June 30, 2016.

Plan Description

The school district acquires health insurance through a New York State Health Insurance Plan (NYSHIP). The Plan is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. Benefits provided by NYSHIP are administered by United Health Care and Blue Cross Blue Shield. NYSHIP plan covers medical and pharmaceutical costs. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service. The school district provides Medicare B and D reimbursements for retirees and their dependents. Benefits are provided at retirement for employees at age 55 who meet the required service and eligibility requirements.

Funding Policy

The contribution requirements of Empire Plan members and the District are established and may be amended by the District. The District pays varying premium amounts for retirees, depending on coverage selected and date of retirement, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

The OPEB cost (expense) is based on the annual required contribution of the employer (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

As of June 30, 2016, the plan was 0 percent funded. The actuarial accrued liability for benefits was $125,371,775, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $125,371,775. The covered payroll (annual payroll of active employees covered by the plan) was $39,350,737 and the ratio of the UAAL to the covered payroll was 318.6%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The outside actuarial firm used the Projected Unit Credit cost method to prepare its valuation. The actuarial assumptions included a 4% investment rate of return and the mortality is based on the RP-2014 Mortality Table adjusted to the 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2015. Mortality Improvement is projected to date of decrement using Scale MP-2015 (generational mortality). The Unfunded Accrued Liability is amortized each year over a constant 30 year period, as a level dollar amount.

Projections of benefits are based on the plan as understood by the employer and plan members and include benefits in force at the valuation date. Retirement contributions are based on job classification, type of coverage and date of retirement.

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The medical trend is 8.0% in 2015, decreasing 0.5% per year to an ultimate rate of 5.0% in 2021.

Health care trend rates reflect both the current and long-term outlook for increases in health care costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on general inflation assumptions of 3% (based on long-term historical inflation numbers) plus 2% to reflect expectations for long-term medical inflation.

Note 12 – Risk Management:

General Information
The Sayville Union Free School District is exposed to various risks of loss. These risks are covered by commercial insurance purchased from independent third parties.

Note 13– Operating Leases

The District leases equipment under various non-cancelable leases. The rental expense for 2016 was $471,094. The minimum annual rentals for each of the remaining years of the leases are:

Fiscal Year Ending June 30	Amount
2017	$ 558,215
2018	489,649
2019	240,286
2020	139,358
2021	87,121
	$ 1,514,629

Note 14 – 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) Encumbrances

Assigned: Unappropriated Fund Balance – General Fund

General Support	$ 1,245,561
Instruction	797,756
Pupil Transportation	15,208
Employee Benefits	52,972
TOTAL	$ 2,111,497

(C) Litigation

The District engages general counsel and labor counsel. Lawsuits arise from the normal conduct of its affairs. Reported lawsuits were either dismissed or result in being the obligation of a third party. Management believes that the outcome of any matters will not have a material effect on these financial statements. The following has been highlighted by legal inquiry:

Suffolk School Employees Health Plan

The Sayville Union Free School District was part of a self-insured health benefits plan (SSEHP) until January 1, 2015. Presently there is a pending legal matter involving funds collected by the Voluntary Employees Beneficiary Association ("VEBA") for the payment of claims. The District contends certain funds should be returned but, to be conservative, has set up an amount for any potential open health claims.

Note 15 – Subsequent Events

Events and transactions are evaluated through the date of the financial report, October 11, 2016.

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
JUNE 30, 2016

REVENUES	Original Budget	Final Budget	Actual Revenues	Over (Under) Budget
Local Sources				
Real Property Taxes	$ 52,326,645	$ 52,056,645	$ 51,886,355	$ (170,290)
Real Property Tax Items (Including STAR Reimbursement)	6,798,268	6,798,268	6,973,472	175,204
Charges for Services	384,228	384,228	443,476	59,248
Use of Money and Property	1,751,496	1,751,496	1,851,045	99,549
Sale of Property and Compensation for Loss	6,100	6,100	143,972	137,872
Miscellaneous	145,500	145,500	306,123	160,623
Total Local Sources	61,412,237	61,142,237	61,604,443	462,206
State Sources	24,513,500	24,528,500	24,642,868	114,368
Federal Aid	125,000	125,000	86,261	(38,739)
Interfund Transfer	-	-	3,533	3,533
Total Revenues	86,050,737	85,795,737	$ 86,337,105	$ 541,368
Prior year's encumbrances	2,263,307	2,263,307		
Appropriated Fund Balance ($2,376,600) and Reserves ($1,247,688)	3,354,288	3,624,288		
Total Revenues and Appropriated Fund Balance	$ 91,668,332	$ 91,683,332		

EXPENDITURES	Original Budget	Final Budget	Actual Expenditures	Encumbrances	Unencumbered Balance
General Support:					
Board of Education	$ 64,049	$ 69,991	$ 57,856	$ 4,333	$ 7,802
Central Administration	347,107	347,687	347,348	42	297
Finance	1,093,816	1,171,973	1,064,300	78,538	29,135
Staff	733,071	732,098	682,486	31,076	18,536
Central Services	7,861,691	8,593,904	6,778,533	1,131,572	683,799
Special Items	896,514	889,094	839,187	-	49,907
Total General Support	10,996,248	11,804,747	9,769,710	1,245,561	789,476
Instruction:					
Instruction, Administration and Improvement	3,286,495	3,440,856	3,147,111	31,990	261,755
Teaching - Regular School	24,597,633	24,567,010	24,050,670	71,707	444,633
Programs for Children with Handicapping Conditions	12,470,433	12,414,027	11,487,191	299,755	627,081
Occupational Education	560,000	560,000	334,719	-	225,281
Teaching - Special Schools	132,284	135,613	118,380	55	17,178
Instructional Media	4,355,953	4,541,434	4,012,453	386,295	142,686
Pupil Services	4,372,989	4,349,277	4,086,021	7,954	255,302
Total Instruction	49,775,787	50,008,217	47,236,545	797,756	1,973,916
Pupil Transportation	3,796,770	3,803,697	3,400,512	15,208	387,977
Community Services	115,618	115,618	77,277	-	38,341
Employee Benefits	20,566,400	19,700,927	19,137,457	52,972	510,498
Debt Service					
Principal	4,123,394	4,128,394	4,128,394	-	-
Interest	1,294,115	1,121,732	1,102,950	-	18,782
Subtotal	5,417,509	5,250,126	5,231,344	-	18,782
Interfund Transfers	1,000,000	1,000,000	977,042	-	22,958
Total Expenditures	$ 91,668,332	$ 91,683,332	85,829,887	$ 2,111,497	$ 3,741,948
Excess Revenues / Expenditures			$ 507,218		

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

See paragraph on supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS-POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a % of Payroll
12/31/2007	$ 68,287,017	$ -	$ 68,287,017	$ -	$ 36,714,601	186.0%
12/31/2009	106,852,152	-	106,852,152	-	36,440,730	293.2%
12/31/2011	112,409,679	-	112,409,679	-	37,961,207	296.1%
12/31/2013	105,847,649	-	105,847,649	-	39,152,686	270.3%
7/1/2015	125,371,775	-	125,371,775	-	39,350,737	318.6%

See paragraph on supplementary schedules included in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
AND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:

	June 30, 2014	June 30, 2015
Proportionate % of the net pension liability	0.208039%	0.210484%
Proportionate share of the net pension liability (asset)	$ (23,174,206)	$ (21,862,535)
Covered employee payroll -measurement date basis	$ 31,191,401	$ 31,859,812
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(74.30%)	(68.62%)
Plan fiduciary net position as a percentage of the total pension liability	111.48%	110.46%

Amounts presented above were determined as of June 30, 2014 and June 30, 2015 measurement dates.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS:

Contractually required contribution	$ 5,540,182	$ 5,542,546
Contribution in relation to the contractually required contribution	5,540,182	5,542,546
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll-fiscal year basis	$ 31,191,401	$ 31,859,812
Contributions as a percentage of covered employee payroll	17.76%	17.40%

Additional years will be presented as they become available for a full 10-year trend.

See Accompanying Notes to Financial Statements.

REFER TO NOTES TO THE FINANCIAL STATEMENTS (NOTE 10-PENSION PLANS) FOR ADDITIONAL INFORMATION ON THE PENSION PLAN-TRS.

See paragraph on required supplementary schedules in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:

	March 31, 2015	March 31, 2016
Proportionate % of the net pension liability	0.0337482%	0.0336333%
Proportionate share of the net pension liability (asset)	$ 1,140,098	$ 5,398,241
Covered employee payroll -measurement date basis	$ 9,495,326	$ 9,935,285
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	12.0%	54.3%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%

Amounts presented above were determined as of March 31, 2015 and March 31, 2016 measurement dates.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS:

Contractually required contribution	$ 1,813,609	$ 1,675,282
Contribution in relation to the contractually required contribution	1,813,609	1,675,282
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll-fiscal year basis	$ 9,845,874	$ 9,974,321
Contributions as a percentage of covered employee payroll	18.4%	16.8%

Additional years will be presented as they become available for a full 10-year trend.

See Accompanying Notes to Financial Statements.

REFER TO NOTES TO THE FINANCIAL STATEMENTS (NOTE 10 PENSION PLANS) FOR ADDITIONAL INFORMATION ON THE PENSION PLAN-ERS.

See paragraph on required supplementary schedules in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$	89,405,025
Add: Prior year's encumbrances		2,263,307
Original Budget		91,668,332
Budget Revisions		15,000
Final Budget		91,683,332

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget		
Maximum Fund Balance allowed (4% of 2016-17 budget or $3,604,779)	$	$90,119,477
Unrestricted fund balance:		
Assigned fund balance	$	4,266,497
Unassigned fund balance		3,947,778
Total unrestricted fund balance		8,214,275
Less:		
Appropriated fund balance		2,155,000
Encumbrances included in assigned fund balance		2,111,497
Total adjustments		4,266,497
General Fund Balance Subject to Section 1318 of Real Property Law	$	3,947,778
Actual percentage		4.38%

See paragraph on supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2016

PROJECT TITLE	Appropriation		Expenditures to Date			Unexpended
	Original	Revised	Prior Year's	Current Year	Total	Balance
HS Dugout & Security	$ 158,944	$ 158,944	$ 152,268	$ 6,676	$ 158,944	$ -
Emergency Boilers - Cherry Avenue	200,000	200,000	189,545	737	190,282	9,718
* 2016 Bond Issue - District Wide Improvements	-	818,000	-	6,248,369	6,248,369	(5,430,369)
Total	$ 358,944	$ 1,176,944	$ 341,813	$ 6,255,782	$ 6,597,595	$ (5,420,651)

* *The residents of the District approved a $19.2 million bond authorization for Districtwide improvements on May 19, 2015. The current deficit fund balance will be eliminated when permanent financing is received.*

See paragraph on supplementary schedules included in auditor's report

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2016

	Account Code	ST-3 Amount	Audited Amount
REVENUES			
Property Taxes	A - 1001	$ 51,886,355	$ 51,886,355
Non-property Taxes	AT - 1199	-	-
State Aid	AT - 3999	24,642,868	24,642,868
Federal Aid	AT - 4999	86,261	86,261
Total Revenues	AT - 5999	86,337,105	86,337,105
EXPENDITURES			
General Support	AT - 1999	9,769,710	9,769,710
Pupil Transportation	AT - 5599	3,400,512	3,400,512
Debt Service - Principal	AT - 9798.6	4,128,394	4,128,394
Debt Service - Interest	AT - 9798.7	1,102,950	1,102,950
Total Expenditures	AT - 9999	85,829,887	85,829,887

See paragraph on supplementary schedules included in auditor's report.

SAYVILLE UNION FREE SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets, Net		$ 58,345,975
Deduct:		
Short-term Portion of Bonds Payable	$ 1,775,000	
Long-term Portion of Bond Payable	18,125,000	
Short-term Portion of Energy Performance Contract	458,909	
Long-term Portion of Energy Performance Contract	5,180,816	
Unamortized Portion of Deferred Refunding Premium,	444,933	
Less Deferred Charge on Refunding	(281,735)	(25,702,923)
Net Investment in Capital Assets		$ 32,643,052

See paragraph on supplementary schedules included in auditor's report.

Pappas & Company
CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725 (631) 462-0660 • Fax (631) 462-8664

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Education
Sayville Union Free School District
Sayville, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Sayville Union Free School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Sayville Union Free School District's financial statements are free of 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 the 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.

Pappas & Company

Commack, New York
October 11, 2016