

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 30, 2017

NEW ISSUE

TAX ANTICIPATION NOTES

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

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

LINDENHURST UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK

\$21,000,000* TAX ANTICIPATION NOTES FOR 2017 – 2018 TAXES (the "Notes")

Date of Issue: September 19, 2017

Maturity Date: June 27, 2018

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

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

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

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

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Book-Entry-Only System*" herein).

Proposals for the Notes will be received at 11:30 A.M. (Prevailing Time) on September 7, 2017 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Financial Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 19, 2017.

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

*Preliminary, subject to change.

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SUFFOLK COUNTY, NEW YORK**

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* * *

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* * *

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

TABLE OF CONTENTS

	Page
THE NOTES.....	1
DESCRIPTION.....	1
OPTIONAL REDEMPTION	1
BOOK-ENTRY-ONLY SYSTEM.....	1
AUTHORIZATION FOR AND PURPOSE OF NOTES	3
SECURITY AND SOURCE OF PAYMENT	3
REMEDIES UPON DEFAULT	4
SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS	5
NO PAST DUE DEBT	5
BANKRUPTCY.....	5
THE DISTRICT	6
DESCRIPTION.....	6
DISTRICT ORGANIZATION.....	6
FINANCIAL ORGANIZATION	6
ENROLLMENT HISTORY	6
PROJECTED FUTURE ENROLLMENT.....	7
DISTRICT FACILITIES	7
EMPLOYEES.....	7
ECONOMIC AND DEMOGRAPHIC INFORMATION	8
POPULATION TRENDS	8
INCOME DATA	8
SELECTED LISTING OF LARGER EMPLOYERS IN THE DISTRICT.....	9
UNEMPLOYMENT RATE STATISTICS.....	9
INDEBTEDNESS OF THE DISTRICT	9
CONSTITUTIONAL AND STATUTORY REQUIREMENTS.....	9
STATUTORY PROCEDURE	10
COMPUTATION OF DEBT LIMIT AND DEBT CONTRACTING MARGIN	11
TREND OF OUTSTANDING INDEBTEDNESS	11
DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING.....	11
DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS.....	12
DEBT SERVICE REQUIREMENTS – ENERGY PERFORMANCE CONTRACTS	12
REVENUE AND TAX ANTICIPATION NOTES	13
AUTHORIZED AND UNISSUED DEBT.....	13
CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS	13
DEBT RATIOS	13

TABLE OF CONTENTS - CONTINUED

	Page
FINANCES OF THE DISTRICT	14
INDEPENDENT AUDIT	14
INVESTMENT POLICY	14
FUND STRUCTURE AND ACCOUNTS	14
BASIS OF ACCOUNTING	14
BUDGET PROCESS.....	15
REVENUES	15
<i>Real Property Taxes</i>	15
<i>State Aid</i>	15
RECENT EVENTS AFFECTING STATE AID TO NEW YORK SCHOOL DISTRICTS.....	17
EXPENDITURES	18
THE STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS	18
EMPLOYEE PENSION SYSTEM	18
OTHER POST-EMPLOYMENT BENEFITS	20
TAX INFORMATION	21
REAL PROPERTY TAXES	21
TAX COLLECTION PROCEDURE.....	22
THE TAX LEVY LIMIT LAW	22
STAR - SCHOOL TAX EXEMPTION	22
VALUATIONS, RATES AND LEVIES	23
SELECTED LISTING OF LARGE TAXABLE PROPERTIES.....	24
TAX CERTIORARI CLAIMS	24
LITIGATION	24
DISCLOSURE UNDERTAKING	24
DISCLOSURE COMPLIANCE HISTORY	25
MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE.....	25
TAX MATTERS.....	26
OPINION OF BOND COUNSEL	26
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND CERTIFICATIONS	26
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES	26
ORIGINAL ISSUE DISCOUNT	27
NOTE PREMIUM	27
INFORMATION REPORTING AND BACKUP WITHHOLDING	28
MISCELLANEOUS	28
LEGAL MATTERS.....	28
RATING	28
MUNICIPAL ADVISOR.....	28
ADDITIONAL INFORMATION	29
APPENDIX A: FINANCIAL INFORMATION	
APPENDIX B: CASH FLOW SUMMARIES	
APPENDIX C: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016	
APPENDIX D: FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL	
APPENDIX E: FORM OF CONTINUING DISCLOSURE UNDERTAKING	

OFFICIAL STATEMENT

LINDENHURST UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK

Relating To

\$21,000,000* TAX ANTICIPATION NOTES FOR 2017 – 2018 TAXES

(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Lindenhurst Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$21,000,000* Tax Anticipation Notes for 2017-2018 Taxes (the "Notes").

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

THE NOTES

Description

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

The District will act as Paying Agent for any Notes. Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Dr. Grace Chan, Assistant Superintendent for Business, Lindenhurst Union Free School District, 350 Daniel Street, Lindenhurst, New York 11757, Phone (631) 867-3020, Fax (631) 867-3028 and email: gchan@lindenhurstschools.org.

Optional Redemption

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

Book-entry-only System

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's

*Preliminary, subject to change.

participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2017-2018 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2017-2018 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

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

Security and Source of Payment

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

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

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

REMEDIES UPON DEFAULT

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

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

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

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

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

THE DISTRICT

Description

The District encompasses approximately six (6) square miles on the south shore of Suffolk County (the “County”) within the Town of Babylon (the “Town”) and is about 37 miles east of New York City. It includes all the Village of Lindenhurst (the “Village”) and unincorporated areas of the Town.

The character of the District has been and remains largely suburban residential, with a majority of the homes being single-family residences. The proximity of the District to the Great South Bay and Atlantic Ocean has led to development of waterfront activity, including commercial fishing and pleasure boating. Many marinas and yacht areas cater to recreational boaters.

Transportation is provided by a network of major highways, including the Sunrise Highway and Montauk Highway (which run through the District) and the nearby Southern State Parkway and Long Island Expressway. Rail passenger service is provided by the Long Island Railroad, which extends from New York City to Montauk Point, the farthest eastern point of Long Island. In Addition, major airline service is provided at J.F. Kennedy International Airport, LaGuardia International Airport and the Long Island MacArthur Airport.

Gas and electricity is supplied throughout the District by the Long Island Power Authority (“LIPA”), and the Suffolk County Water Authority provides public water services.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education (the “Board”). Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members to the Board. They are generally elected for a term of three years.

In early July of each year, the Board meets for the purpose of reorganization. At the time, the Board elects a President and a Vice President, and appoints a District Clerk and District Treasurer.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Business.

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2011-2012	6,531
2012-2013	6,429
2013-2014	6,296
2014-2015	6,170
2015-2016	6,053
2016-2017	5,951

Source: District Officials.

Projected Future Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2017-2018	5,625
2018-2019	5,509
2019-2020	5,453
2020-2021	5,363
2021-2022	5,295
2022-2023	5,174

Source: District Officials.

District Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Capacity</u>
Albany Avenue School	K-5	1961	546
Alleghany School	K-5	1958	391
Bower School ^a	K-5	1953	N/A
Daniel School	K-5	1958	715
Harding Avenue School	K-5	1960	401
Kellum School ^b	NA	1958	N/A
Niagara School ^c	NA	1965	N/A
Rall School	K-5	1953	644
West Gates School	K-5	1961	401
Junior High School	K-5	1930	1,131
Senior High School	K-5	1961	2,505

a. Houses the Lindenhurst Academy.

b. Leased to the Just Kids Organization and SCOPE.

c. Houses the District Administration Buildings, Building and Grounds.

Employees

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

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Teachers Association of Lindenhurst	06/30/2020	538
Custodial	06/30/2019	100
Clerical	06/30/2017	67
Association of School Administrators	06/30/2021	37
Registered Nurses	06/30/2014	12
Aides	06/30/2016	251

a: Contracts are in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

Population 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 Babylon. The following table sets forth population statistics for the County and the Town of Babylon.

<u>Year</u>	<u>Village</u>	<u>Town of Babylon</u>	<u>Suffolk County</u>
1990	26,879	202,780	1,292,665
2000	27,819	211,792	1,419,369
2010	27,253	213,603	1,493,350
2016	27,074	212,137	1,492,583

Source: U.S. Bureau of the Census.

Income Data

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

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015*</u>
Village of Lindenhurst	\$16,116	\$22,150	\$32,401	\$33,359
Town of Babylon	16,726	22,844	30,647	31,794
County of Suffolk	18,481	26,577	35,411	37,634
State of New York	16,501	23,389	30,791	33,236
	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015*</u>
Village of Lindenhurst	\$46,615	\$61,667	\$83,964	\$83,532
Town of Babylon	47,074	60,064	78,805	80,327
County of Suffolk	49,128	65,288	84,235	88,663
State of New York	32,965	43,393	55,217	59,269

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 1-Year Estimate (2015)

Selected Listing of Larger Employers in the District
(As of 2016)

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Lindenhurst Union Free School District	Education	1,400
Waldbaums Supermarket	Commercial	150
Russell Plastics Technology, Inc.	Plastic Products	100
Village of Lindenhurst	Government	70
Lakeville Industries	Kitchen Cabinets	70
Keith Machinery Corp.	Industrial Machinery	50
Marksman Manufacturing	Screw Machine Parts	50
Autodyne Manufacturing	Electronic Communications	25

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

<u>Annual Averages:</u>	<u>Town of Babylon (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2012	8.6	7.8	8.6
2013	7.2	6.5	7.7
2014	5.7	5.3	6.4
2015	5.1	4.8	5.6
2016	4.6	4.3	4.9
2017 (3 months)	4.5	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Notes:

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes) or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

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

Statutory Procedure

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

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

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

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

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

Computation of Debt Limit and Debt Contracting Margin
(As of August 30, 2017)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Babylon (2016-2017) ^a	\$43,213,072	1.12%	\$3,858,310,000
Debt Limit - 10% of Average Full Valuation			\$385,831,000
Inclusions: ^b			
Outstanding Bonds			\$17,580,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>17,580,000</u>
Exclusions (Estimated Building Aid) ^c			<u>9,633,840</u>
Total Net Indebtedness			<u>7,946,160</u>
Net Debt Contracting Margin			<u><u>\$377,884,840</u></u>
Per Cent of Debt Contracting Margin Exhausted			2.06%

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

b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.

c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Trend of Outstanding Indebtedness
As at June 30:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$23,130,000	\$20,415,000	\$17,620,000	\$23,490,000	\$20,025,000
BANs	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$23,130,000</u></u>	<u><u>\$20,415,000</u></u>	<u><u>\$17,620,000</u></u>	<u><u>\$23,490,000</u></u>	<u><u>\$20,025,000</u></u>

Details of Short-Term Indebtedness Outstanding

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

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$3,655,000	\$558,194	\$4,213,194
2019	3,060,000	427,869	3,487,869
2020	1,530,000	351,831	1,881,831
2021	1,580,000	308,631	1,888,631
2022	1,620,000	263,466	1,883,466
2023	1,665,000	216,344	1,881,344
2024	1,710,000	167,484	1,877,484
2025	1,265,000	125,769	1,390,769
2026	610,000	102,000	712,000
2027	630,000	87,263	717,263
2028	645,000	70,519	715,519
2029	665,000	51,675	716,675
2030	685,000	31,425	716,425
2031	705,000	10,575	715,575
Totals ^a	<u>\$20,025,000</u>	<u>\$2,773,044</u>	<u>\$22,798,044</u>

a. Includes payments made to date.

Debt Service Requirements – Energy Performance Contracts

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$763,713	\$142,978	\$906,691
2019	783,465	123,226	906,691
2020	803,739	102,951	906,690
2021	824,550	82,141	906,691
2022-2026	2,160,990	199,943	2,360,933
2027-2031	232,870	3,222	236,092
Totals	<u>\$5,569,327</u>	<u>\$654,461</u>	<u>\$6,223,788</u>

Revenue and Tax Anticipation Notes

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

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

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2012	\$26,200,000	TAN	08/25/2011	6/21/2012
2013	24,000,000	TAN	08/23/2012	6/20/2013
2014	22,000,000	TAN	08/27/2013	6/20/2014
2015	20,000,000	TAN	09/03/2014	6/19/2015
2016	19,500,000	TAN	09/09/2015	6/20/2016

Authorized and Unissued Debt

As of the date of this Official Statement the District has no authorized but unissued debt outstanding. However, the District has proposed a capital project with an estimated cost of \$27,000,000. The project will go to vote on October 17, 2017. The Lindenhurst Library also has a capital project going to vote on November 14, 2017. The proposed project has an estimated cost of \$14.5 million.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	06/09/2016	1.8	\$40,627,903	\$23,599,816
Babylon Town	06/01/2015	16.96	27,778,784	25,685,072
Lindenhurst Village	07/13/2017	100.00	8,985,000	7,727,000
West Babylon Fire District	12/31/2015	100.00	0	0
North Lindenhurst Fire District	12/31/2015	100.00	0	0
Lindenhurst Fire District	12/31/2015	100.00	0	0
Totals			<u>\$77,391,687</u>	<u>\$57,011,888</u>

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

Debt Ratios (As of August 30, 2017)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$17,580,000	\$418	0.456
Net Direct Debt	7,946,160	189	0.206
Total Direct & Applicable Total Overlapping Debt	94,971,687	2,259	2.461
Net Direct & Applicable Net Overlapping Debt	64,958,048	1,545	1.684

a. The current estimated population of the District is 42,049.

b. The full valuation of taxable real property in the District for 2016-17 is \$3,858,310,000.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2016. A copy of such report is included herein as Appendix C.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein). On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-2018 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2016-2017 and 2017-2018 may be found in Appendix A, herein.

Revenues

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

Real Property Taxes

See "*Tax Information*" herein.

State Aid

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

The following table sets forth the amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2012 through 2016, inclusive and the amounts budgeted for the 2017 and 2018 fiscal years.

Fiscal Year Ending <u>June 30:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid To <u>Revenues (%)</u>
2012	\$133,672,431	\$43,432,721	32.49
2013	139,016,193	45,633,703	32.83
2014	139,975,212	46,931,102	33.53
2015	143,088,637	48,297,499	33.75
2016	148,005,527	51,415,264	34.74
2017 (Budgeted)	151,534,773	52,563,760	34.69
2018 (Budgeted)	155,974,566	55,641,999	35.67

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

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See “*STAR – School Tax Exemption*” herein). The District is expected to receive STAR aid in January, 2018.

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or other circumstances including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore.

Potential reductions in Federal aid received by the State. The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State’s current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

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

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 invested \$1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

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

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

School district fiscal year (2017-2018): The State's 2017-2018 Enacted Budget provides for school aid of approximately \$25.8 billion, an increase of \$1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. In addition, the Enacted 2017-2018 State Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$5.0 million.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year 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*").

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: 15.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released July, 2016. The purpose of such audit was to examine the District's credit card purchases for appropriate use and compliance with the District's policies from the period July 1, 2014 – October 31, 2015. The complete report and the District's response may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

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

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

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

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

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

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

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 benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

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

Fiscal Year Ending <u>June 30:</u>	<u>ERS</u>	<u>TRS</u>
2016	2,180,828	7,790,837
2015	2,201,930	10,549,461
2014	2,479,052	9,689,942
2013	2,440,821	7,081,553
2012	1,531,348	6,458,692

Source: Audited Financial Statements.

Other Post-Employment Benefits

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

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ending June 30, 2016:</u>
Annual required contribution (ARC)	\$17,190,820
Interest on net OPEB obligation	2,731,202
Less: Adjustments to ARC	<u>(2,883,578)</u>
Annual OPEB cost (expense)	17,038,444
Less: Contributions made	<u>(5,268,463)</u>
Increase in net OPEB obligation	11,769,981
Net OPEB obligation-beginning of year	<u>67,366,080</u>
Net OPEB obligation-end of year	<u><u>\$79,136,061</u></u>

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$17,038,444	30.90	\$79,136,061
June 30, 2015	16,923,360	21.80	67,366,080
June 30, 2014	16,357,809	38.20	57,353,589

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

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

TAX INFORMATION

Real Property Taxes

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

The following table sets forth the amount of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, inclusive and for the amounts budgeted for the 2017 and 2018 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Total Revenue^a</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2012	\$133,672,431	\$86,926,587	65.03
2013	139,016,193	89,056,887	64.06
2014	139,975,212	90,748,227	64.83
2015	143,088,637	92,105,074	64.37
2016	148,005,527	93,992,828	63.51
2017 (Budgeted)	151,534,773	94,867,892	62.60
2018 (Budgeted)	155,974,566	96,227,213	61.69

a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of 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.

The Tax Levy Limit Law

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

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

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

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

STAR - School Tax Exemption

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

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

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

Approximately 12% 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. Approximately 12% of the District's 2017-2018 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2018. (See "State Aid" herein).

Rebate Program

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

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of Chapter 97. While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

Valuations, Rates and Levies

Fiscal Year Ending <u>June 30:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>	Tax Rate Per \$1,000	
				Assessed <u>Valuation</u>	<u>Tax Levy</u>
2013	\$44,245,786	1.21	\$3,656,676,529	\$2,008.85	\$88,883,191
2014	43,719,632	1.23	3,554,441,626	2,072.47	90,607,713
2015	43,638,452	1.25	3,491,076,160	2,108.11	91,994,788
2016	42,288,543	1.18	3,583,774,831	2,168.22	93,859,388
2017	43,213,072	1.12	3,858,310,000	2,189.13	94,599,119

Source: Town of Babylon Taxes and Assessment.

Selected Listing of Large Taxable Properties
2016-2017 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Keyspan Gas East Corp	Utility	\$222,530
Long Island Power Authority	Utility	175,097
Hoffman Lindenhurst Grocery	Commercial	149,390
Meadowbrook Distribution Corp	Commercial	148,740
Quadrangle Associates	Real Estate	133,650
Covert Ave Apartments Inc.	Real Estate	122,870
Long Island Power Authority	Utility	122,560
MLO Great South Bay LLC	Real Estate	104,460
Sunrise Plaza Associates	Real Estate	90,630
Monroe Gardens Inc	Real Estate	85,400
Total		<u>\$1,355,327</u>

- a. Represents 3.74% of the total assessed valuation of the District for 2016-2017.
Source: Town Assessment Rolls.

Tax Certiorari Claims

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

LITIGATION

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

DISCLOSURE UNDERTAKING

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

Disclosure Compliance History

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

<u>FYE June 30:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2012	12/12/2012	10/22/2012
2013	09/18/2013	10/23/2013
2014	12/17/2014	11/05/2014
2015	12/15/2015	12/09/2015
2016	12/01/2016	12/07/2016

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

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

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

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

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

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

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

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

TAX MATTERS

Opinion of Bond Counsel

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

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes.

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

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

Note Premium

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

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

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

RATING

The Notes are not rated. Moody's Investors Service has applied a rating of "Aa3" to the outstanding uninsured bonds of the District. The rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Dr. Grace Chan, Assistant Superintendent for Business, Lindenhurst Union Free School District, 350 Daniel Street, Lindenhurst, NY 11757, Phone (631) 867-3020, Fax (631) 867-3028 and email: gchan@lindenhurstschools.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 or website: www.munistat.com.

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

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

By: s/s DONNA HOCHMAN
President of the Board of Education
Lindenhurst Union Free School District
Lindenhurst, New York

September , 2017

APPENDIX A

FINANCIAL INFORMATION

**Statement of Revenues, Expenditures and Fund Balances
General Fund**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 72,415,144	\$ 74,123,340	\$ 75,681,556	\$ 77,526,861	\$ 79,089,941
Other Real Property Tax Items	14,511,443	14,933,547	15,066,669	14,578,213	14,902,887
Charges for Services	1,083,043	886,923	893,362	912,778	906,749
Use of Money and Property	1,153,011	986,132	907,689	888,915	887,481
Sale of Property & Compensation for Loss	359,542	321,227	48,911	14,081	73,404
Miscellaneous	638,752	2,015,660	306,750	756,739	606,397
State Sources	43,432,721	45,633,703	46,931,102	48,297,499	51,415,264
Federal Sources	<u>78,775</u>	<u>115,661</u>	<u>139,173</u>	<u>113,551</u>	<u>123,404</u>
Total Revenues	<u>133,672,431</u>	<u>139,016,193</u>	<u>139,975,212</u>	<u>143,088,637</u>	<u>148,005,527</u>
Expenditures:					
General Support	13,837,543	14,064,641	14,838,228	14,593,412	14,438,722
Instruction	76,971,467	78,340,461	78,568,843	80,116,926	82,646,620
Pupil Transportation	7,401,794	7,790,056	7,307,940	7,152,682	7,531,586
Community Services	89,748	91,011	93,584	88,809	91,147
Employee Benefits	31,285,025	33,107,468	36,261,678	37,108,465	34,694,191
Debt Service	<u>4,324,107</u>	<u>4,508,479</u>	<u>4,592,790</u>	<u>4,424,986</u>	<u>4,439,917</u>
Total Expenditures	<u>133,909,684</u>	<u>137,902,116</u>	<u>141,663,063</u>	<u>143,485,280</u>	<u>143,842,183</u>
Excess (Deficit) of Revenues Over Expenditures	(237,253)	1,114,077	(1,687,851)	(396,643)	4,163,344
Other Financing Sources (Uses)					
Interfund Transfers In	10,000	10,000	126,143	108,108	44,704
Interfund Transfers Out	<u>(669,087)</u>	<u>(517,225)</u>	<u>(506,260)</u>	<u>(661,887)</u>	<u>(625,997)</u>
Total Other Financing Sources (Uses)	<u>(659,087)</u>	<u>(507,225)</u>	<u>(380,117)</u>	<u>(553,779)</u>	<u>(581,293)</u>
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(896,340)	606,852	(2,067,968)	(950,422)	3,582,051
Fund Balance - Beg. of Year	20,699,242	19,802,902	20,409,754	18,341,786	17,391,364
Adjustments	<u></u>	<u></u>	<u></u>	<u></u>	<u>(402)</u>
Fund Balance - End of Year	<u>\$ 19,802,902</u>	<u>\$ 20,409,754</u>	<u>\$ 18,341,786</u>	<u>\$ 17,391,364</u>	<u>\$ 20,973,013</u>

Source: Audited Financial Statements (2012-2016)

NOTE: This table NOT audited

**Comparative Balance Sheet
General**

	<u>Fiscal Year Ending June 30:</u>	
	<u>2015</u>	<u>2016</u>
Assets:		
Unrestricted Cash	\$ 17,395,468	\$ 15,426,315
Restricted Cash	9,870,695	12,587,810
State and Federal Aid Receivable	2,837,950	2,910,118
Due From Other Funds		167,278
Due From Fiduciary Funds	4,160,928	2,607,172
Due From Other Governments	5,184	
Other Receivables, Net	<u>119,354</u>	<u>295,719</u>
Total Assets	<u>\$ 34,389,579</u>	<u>\$ 33,994,412</u>
Liabilities & Deferred Revenue:		
Accounts Payable	\$ 1,821,339	\$ 1,895,345
Accrued Liabilities	2,492,739	704,586
Compensated Absences	573,619	671,802
Due to Retirement Systems	11,703,305	9,255,785
Due to Other Funds	407,213	492,081
Deferred Revenue	<u></u>	<u>1,800</u>
Total Liabilities & Deferred Revenue	<u>\$ 16,998,215</u>	<u>\$ 13,021,399</u>
Fund Balance:		
Restricted	\$ 9,870,695	\$ 12,587,810
Assigned	1,580,850	2,383,308
Unassigned	<u>5,939,819</u>	<u>6,001,895</u>
Total Fund Balance	<u>\$ 17,391,364</u>	<u>\$ 20,973,013</u>
Total Liabilities and Fund Balance	<u>\$ 34,389,579</u>	<u>\$ 33,994,412</u>

Source: Audited Financial Statements

NOTE: This table NOT audited

Budget Summaries

	<u>2016-2017</u>	<u>2017-2018</u>
Real Property Taxes	\$ 94,867,892	\$ 96,227,213
State Sources	52,563,760	55,641,999
Miscellaneous	2,003,121	2,205,354
Appropriated Fund Balance	<u>2,100,000</u>	<u>1,900,000</u>
Total Revenues	<u>\$ 151,534,773</u>	<u>\$ 155,974,566</u>
Expenditures:		
General Support	\$ 15,466,646	\$ 15,685,153
Instruction	86,736,980	89,099,428
Pupil Transportation	7,727,013	7,052,799
Community Services	104,131	105,942
Employee Benefits	35,619,244	38,026,359
Debt Service	5,245,759	5,219,885
Interfund Transfers	<u>635,000</u>	<u>785,000</u>
Total Expenditures	<u>\$ 151,534,773</u>	<u>\$ 155,974,566</u>

The 2016-17 budget was approved by the voters of the District on May 17, 2016

The 2017-18 budget was approved by the voters of the District on May 16, 2017

Source: Adopted Budgets of the District

APPENDIX B

CASH FLOW SUMMARIES

LINDENHURST UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2016-2017 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance ^a	28,014	20,938	17,063	31,629	20,721	12,871	4,723	50,545	43,462	46,262	37,368	36,547	28,014
<i>Receipts</i>													
Property Taxes						1,201	42,176	2,521	796	1,260	7,358	24,745	80,057
Library Taxes						65	2,295	145	43	70	401	1,348	4,367
Star Aid							14,666						14,666
State Aid	3		9,088	3,142	3,109	4,009	297	376	18,106		5,346	5,396	48,872
State Aid - Due to other funds	76	3		300	1,322	211	217	602	811	125	412	161	4,240
Other Receipts	77	1,789	1,549	237	834	41	209	279	238	143	308	203	5,907
Interfund Transfers						1,000							1,000
Note Proceeds - TANS			19,133										19,133
Total Receipts	156	1,792	29,770	3,679	5,265	6,527	59,860	3,923	19,994	1,598	13,825	31,853	178,242
<i>Disbursements</i>													
Salary and Benefits	1,287	1,418	7,245	6,932	6,849	6,941	6,711	6,983	10,293	6,750	7,089	17,768	86,266
Operating Expenses	2,884	3,290	3,863	4,227	2,552	6,362	6,638	3,442	6,202	3,378	7,008	5,648	55,494
Due to Other Funds	100	378	282	252	539	750	140		231		185		2,857
TAN Principal												19,000	19,000
TAN Interest												277	277
Debt Service	2,597	217	638			258	185	217	104			928	5,144
TRS			2,812	2,812	2,811								8,435
Library Taxes	364	364	364	364	364	364	364	364	364	364	364	363	4,367
Total Disbursements	7,232	5,667	15,204	14,587	13,115	14,675	14,038	11,006	17,194	10,492	14,646	43,984	181,840
Balance	20,938	17,063	31,629	20,721	12,871	4,723	50,545	43,462	46,262	37,368	36,547	24,416	24,416
<i>Note Repayment Account</i>													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	19,000	19,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	19,000	19,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Opening balance includes approximately \$12 million in restricted reserves.

LINDENHURST UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTED 2017-2018 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance ^a	24,416	17,137	12,895	30,940	20,856	13,009	812	50,846	43,027	47,366	38,159	37,519	24,416
<i>Receipts</i>													
Property Taxes							44,192	2,588	811	1,284	7,496	25,210	81,581
Library Taxes							2,390	147	43	70	410	1,376	4,436
Star Aid							14,666						14,666
State Aid	3		10,347	3,577	3,540	2,039	2,863	428	20,614		6,087	6,144	55,642
State Aid - Due to other funds													0
Other Receipts	54	1,243	1,077	165	579	29	145	194	165	99	214	141	4,105
Interfund Transfers													0
Note Proceeds - TANS			21,000										21,000
Total Receipts	57	1,243	32,424	3,742	4,119	2,068	64,256	3,357	21,633	1,453	14,207	32,871	181,430
<i>Disbursements</i>													
Salary and Benefits	1,279	1,409	7,201	6,890	6,807	6,899	6,670	6,940	10,230	6,709	7,046	17,660	85,740
Operating Expenses	3,059	3,490	4,097	4,484	2,707	6,748	7,041	3,651	6,578	3,583	7,433	5,991	58,862
Due to Other Funds													0
TAN Principal												21,000	21,000
TAN Interest												450	450
Debt Service	2,630	218	629			250	143	217	98			935	5,120
TRS			2,084	2,084	2,084								6,252
Library Taxes	368	368	368	368	368	368	368	368	388	368	368	368	4,436
Total Disbursements	7,336	5,485	14,379	13,826	11,966	14,265	14,222	11,176	17,294	10,660	14,847	46,404	181,860
Balance	17,137	12,895	30,940	20,856	13,009	812	50,846	43,027	47,366	38,159	37,519	23,986	23,986
<i>Note Repayment Account</i>													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	21,000	21,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	21,000	21,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Opening balance includes approximately \$12 million in restricted reserves.

LINDENHURST UNION FREE SCHOOL DISTRICT

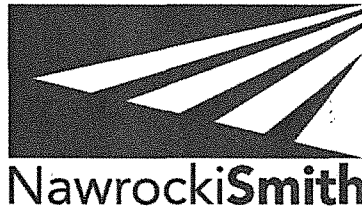
APPENDIX C

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

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

LINDENHURST PARK CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016

	<u>PAGE</u>
Independent Auditor's Report	1
Required Supplementary Information:	
Management's Discussion And Analysis ("MD&A")	3
Basic Financial Statements:	
District-Wide Financial Statements -	
Statement Of Net Position	14
Statement Of Activities And Changes In Net Position	15
Fund Financial Statements -	
Balance Sheet - Governmental Funds	16
Reconciliation Of Governmental Funds Balance Sheet	
To The Statement Of Net Position	17
Fund Financial Statements -	
Statement Of Revenues, Expenditures And	
Changes In Fund Balance - Governmental Funds	18
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures	
And Changes In Fund Balance To The Statement Of Activities	19
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	20
Statement Of Change In Fiduciary Net Position - Fiduciary Funds	21
Notes To Financial Statements	22
Required Supplementary Information Other Than MD&A:	
General Fund -	
Schedule Of Revenues, Expenditures And Changes	
In Fund Balance - Budget And Actual	48
Schedule Of Funding Progress For The Retiree Health Plan	49
Schedule Of District's Proportionate Share Of The Net Pension Liability - NYSERS	50
Schedule Of District's Proportionate Share Of The Net Pension Asset - NYSTRS	51
Schedule Of District Pension Contributions - NYSERS	52
Schedule Of District Pension Contributions - NYSTRS	53
Other Supplementary Information:	
General Fund -	
Schedules Of Change From Adopted Budget To Final	
Budget And The Real Property Tax Limit	54
Capital Projects Fund -	
Schedule Of Project Expenditures And Financing Sources	55
Net Investment In Capital Assets	56
Extraclassroom Activity Funds	57
Federal Award Program Information:	
Schedule Of Expenditures Of Federal Awards	64
Notes To Schedule Of Expenditures Of Federal Awards	65
Independent Auditor's Report On Internal Control Over	
Financial Reporting And On Compliance And Other Matters	
Based On An Audit Of Financial Statements Performed	
In Accordance With <i>Government Auditing Standards</i>	66
Independent Auditor's Report On Compliance	
For Each Major Program And On Internal Control	
Over Compliance Required By The Uniform Guidance	68
Schedule Of Findings And Questioned Costs	70
Summary Schedule Of Prior Audit Findings	71
Findings And Recommendations	72



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Lindenhurst Union Free School District
Town of Babylon, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Lindenhurst Union Free School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Lindenhurst Union Free School District, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-13 and 48-53 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary 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 but is supplementary information required by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information required by the New York State Education Department and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York
September 26, 2016



LINDENHURST UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the Lindenhurst Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position, as reflected in the District-wide financial statements, increased by \$3,862,996.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$150,065,838. Of this amount, \$6,775,982 was offset by program charges for services and operating grants. General revenues of \$147,152,852 amount of 96% of total revenues.
- The governmental fund's assets exceeded liabilities by \$25,171,182 (see pages 16 and 18).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial 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 financial statements.
 - The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
 - The *Fiduciary Fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the financial statements.

Table A-1: Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Financial 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 instruction, special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • 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/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial status 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.

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and general support expenses. Property taxes and State formula aid finance most of these activities.

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:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

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 financial 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 financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position increased by \$3,862,996 from the year before to a deficit net position of \$12,096,190 as detailed in Tables A-2 and A-3.

The restricted net position balance of \$15,751,986 represents the District's reserves for employee benefit accrued liabilities, unemployment reserve, retirement contributions and workers' compensation. These assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2016, the District has an unrestricted net deficit position of \$50,058,905. This deficit is primarily driven by the District's required recognition of its obligation for post-employment benefits which currently totals \$79,136,061. This obligation will continue to grow into the future (see Note 11 to the accompanying financial statements) resulting in a greater unrestricted net deficit position.

Table A-2: Condensed Statement of Net Position - Governmental Activities

	<u>6/30/15</u>	<u>6/30/16</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 82,499,003	\$ 81,745,220	\$ (753,783)	(0.9)
Capital assets, net	<u>48,093,508</u>	<u>52,280,963</u>	<u>4,187,455</u>	8.7
Total assets	<u>\$ 130,592,511</u>	<u>\$ 134,026,183</u>	<u>\$ 3,433,672</u>	2.6
Deferred outflows of resources	<u>\$ 11,940,878</u>	<u>\$ 15,563,825</u>	<u>\$ 3,622,947</u>	30.3
Current liabilities	\$ 25,190,002	\$ 21,253,692	\$ (3,936,310)	(15.6)
Long-term liabilities	<u>102,230,874</u>	<u>125,143,347</u>	<u>22,912,473</u>	22.4
Total liabilities	<u>\$ 127,420,876</u>	<u>\$ 146,397,039</u>	<u>\$ 18,976,163</u>	14.9
Deferred inflows of resources	<u>\$ 31,071,699</u>	<u>\$ 15,289,159</u>	<u>\$ (15,782,540)</u>	(50.8)
Net position:				
Net investment in capital assets	\$ 23,078,742	\$ 22,210,729	\$ (868,013)	(3.8)
Restricted	10,144,153	15,751,986	5,607,833	55.3
Unrestricted (deficit)	<u>(49,182,081)</u>	<u>(50,058,905)</u>	<u>(876,824)</u>	(1.8)
Total net position	<u>\$ (15,959,186)</u>	<u>\$ (12,096,190)</u>	<u>\$ 3,862,996</u>	24.2

Changes in Net Position

The District's fiscal year 2016 revenues totaled \$153,928,834, which is 3.4% greater than fiscal year 2015 (See Table A-3). Property taxes, other tax items and State sources accounted for 94.5% of total revenues (See Table A-4). The remainder came from fees charged for services, operating grants, Federal sources, use of money and property and other miscellaneous sources.

The District's fiscal year 2016 expenses totaled \$150,065,838, and reflect a 3.2% increase over the prior year's expenses (See Table A-3). These expenses (92.9%) are predominantly related to instruction and general support (See Table A-6).

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only				
	<u>6/30/15</u>	<u>6/30/16</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,922,156	\$ 1,977,229	\$ 55,073	2.9
Operating grants	4,662,278	4,798,753	136,475	2.9
General revenues:				
Real property taxes	77,526,861	79,089,941	1,563,080	2.0
Other tax items	14,578,213	14,902,887	324,674	2.2
State sources	48,297,499	51,415,264	3,117,765	6.5
Federal sources	113,551	123,404	9,853	8.7
Use of money and property	889,466	887,481	(1,985)	(0.2)
Sale of property and compensation for loss	14,081	73,404	59,323	421.3
Miscellaneous	886,838	660,471	(226,367)	(25.5)
Total revenues	<u>148,890,943</u>	<u>153,928,834</u>	<u>5,037,891</u>	3.4
Expenses				
General support	18,421,048	18,277,746	(143,302)	(0.8)
Instruction	117,276,093	121,206,754	3,930,661	3.4
Pupil transportation	7,225,073	7,947,444	722,371	10.0
Community services	131,615	136,244	4,629	3.5
Debt service - interest	642,583	692,416	49,833	7.8
School lunch program	<u>1,675,691</u>	<u>1,805,234</u>	<u>129,543</u>	7.7
Total expenses	<u>145,372,103</u>	<u>150,065,838</u>	<u>4,693,735</u>	3.2
Increase in net position	<u>\$ 3,518,840</u>	<u>\$ 3,862,996</u>	<u>\$ 344,156</u>	9.8

Table A-4: Sources of Revenues for Fiscal Year 2016

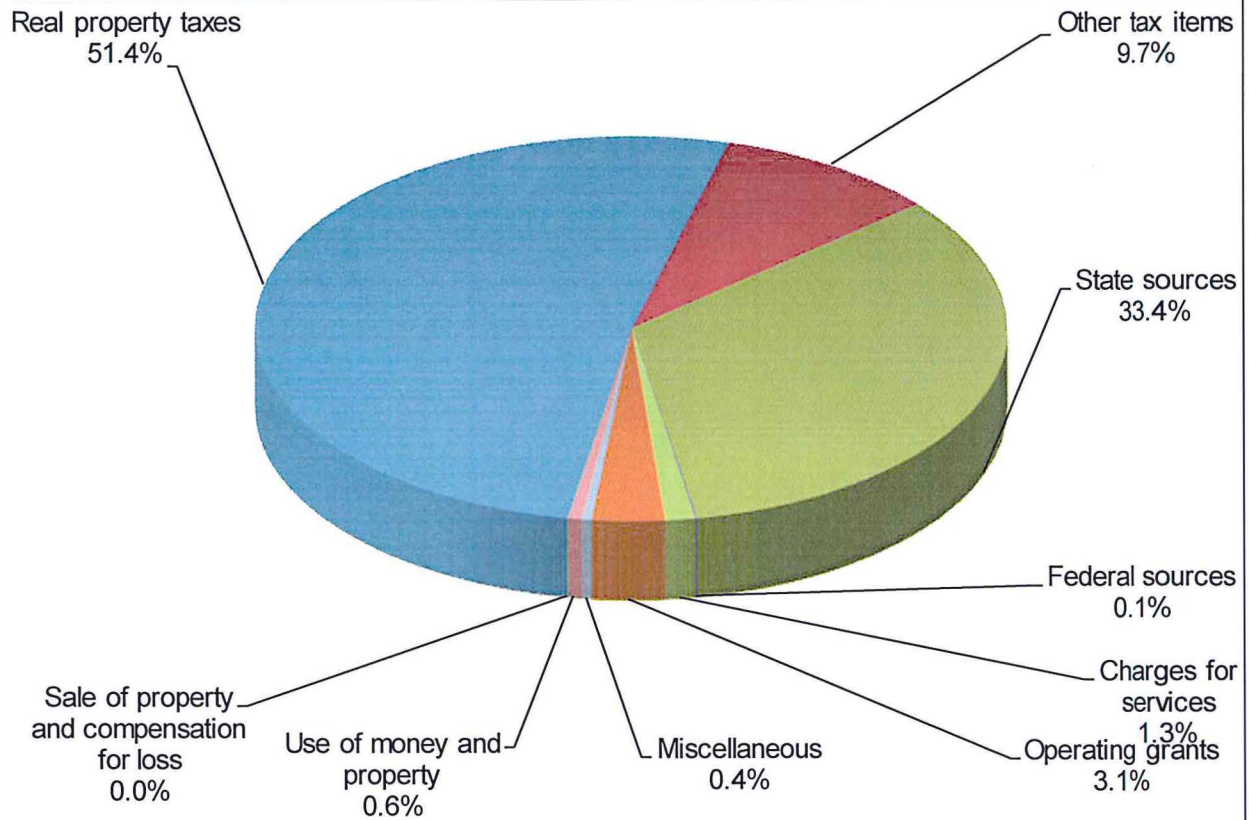


Table A-5: Sources of Revenues for Fiscal Year 2015

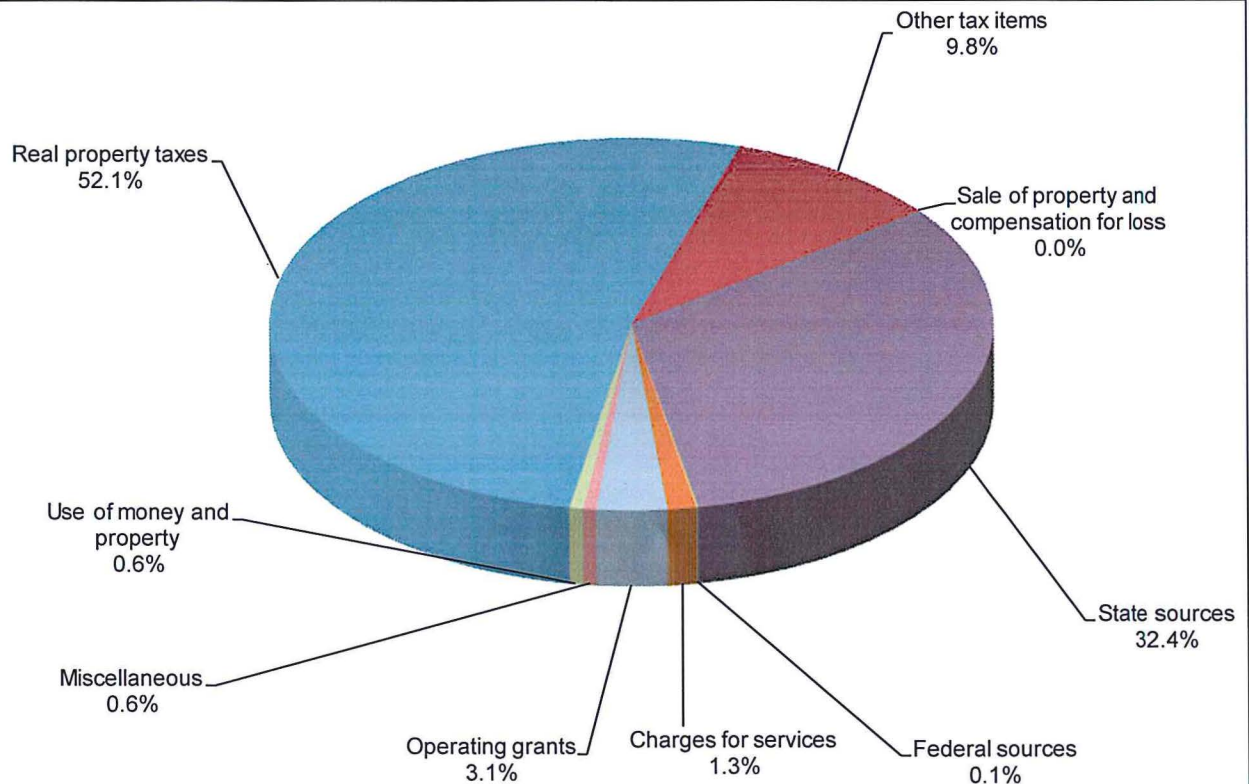


Table A-6: Expenses for Fiscal Year 2016

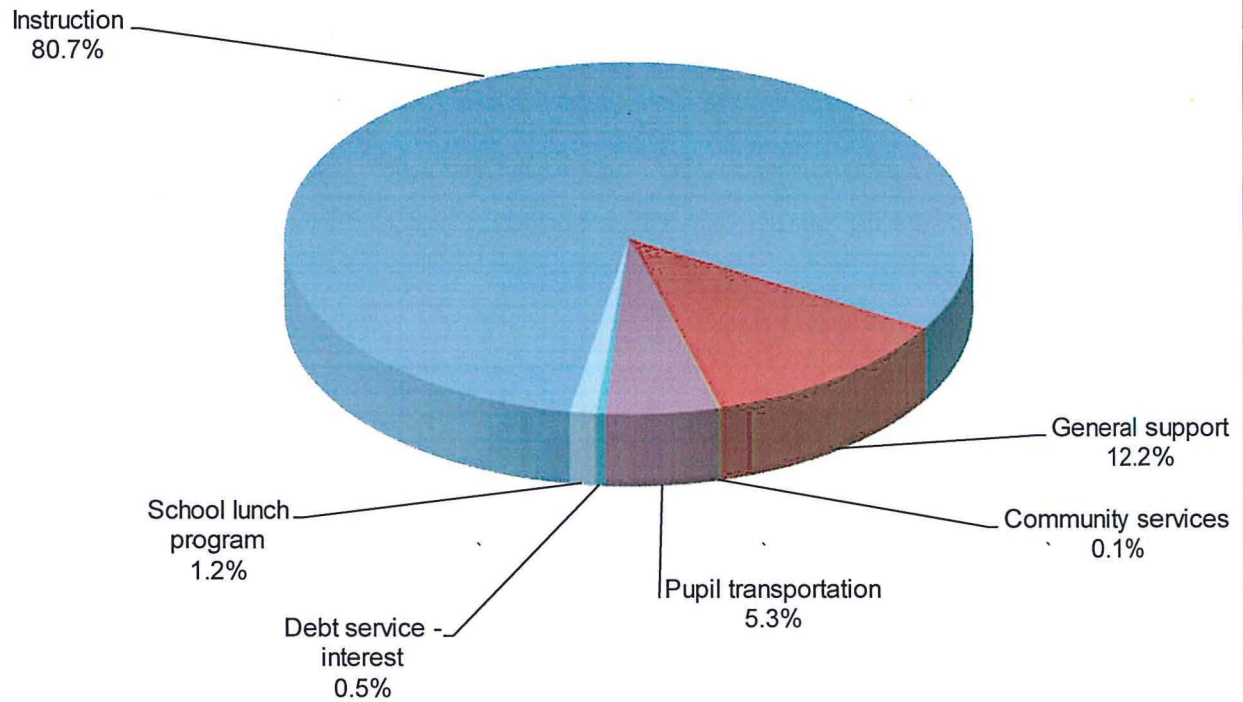
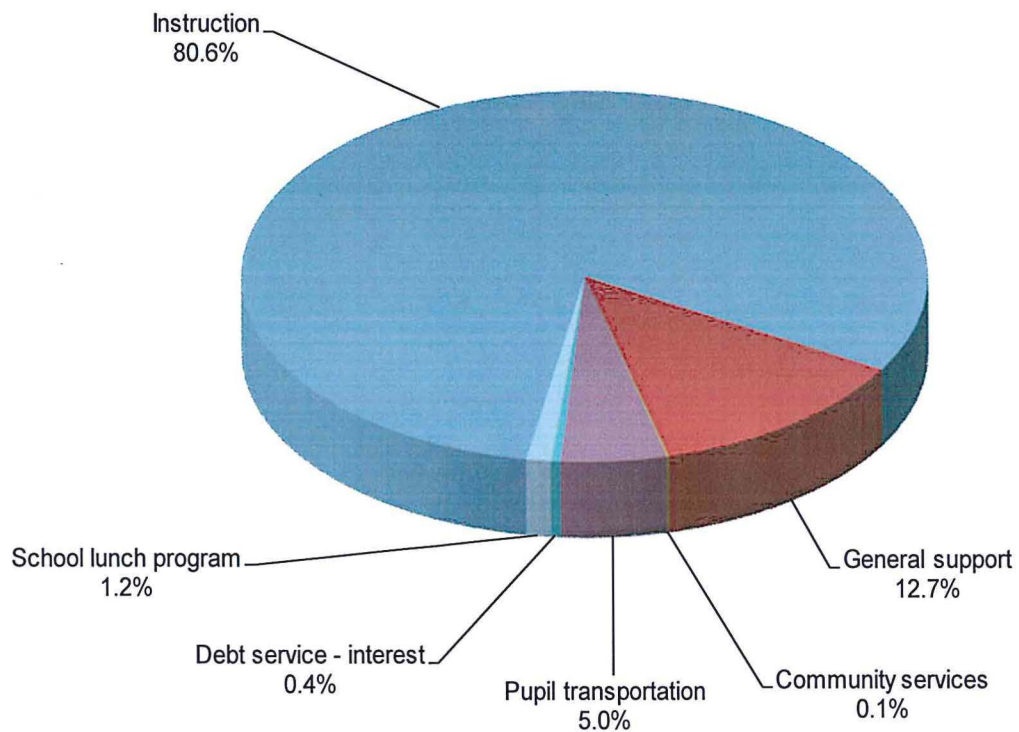


Table A-7: Expenses for Fiscal Year 2015



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$25,171,182, which is an increase of \$6,549,888 from June 30, 2015. Fund balances for the District's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds				
	<u>6/30/15</u>	<u>6/30/16</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Restricted:				
Employee Benefit Accrued Liability	\$ 3,860,083	\$ 4,665,775	\$ 805,692	20.9
Retirement Contributions	3,297,945	4,104,902	806,957	24.5
Unemployment Insurance	345,568	646,368	300,800	87.0
Workers' Compensation	2,367,099	3,170,765	803,666	34.0
Assigned:				
Designated for subsequent year's expenditures	1,500,000	2,100,000	600,000	40.0
Encumbrances	80,850	283,308	202,458	250.4
Unassigned	<u>5,939,819</u>	<u>6,001,895</u>	<u>62,076</u>	1.0
Total General Fund	<u>17,391,364</u>	<u>20,973,013</u>	<u>3,581,649</u>	20.6
School Lunch Fund				
Nonspendable:				
Inventory	18,934	9,304	(9,630)	(50.9)
Assigned:				
School Lunch Fund	<u>937,538</u>	<u>1,024,689</u>	<u>87,151</u>	9.3
Total School Lunch Fund	<u>956,472</u>	<u>1,033,993</u>	<u>77,521</u>	8.1
Debt Service Fund				
Restricted:				
Debt Service Fund	<u>24,453</u>	<u>24,097</u>	<u>(356)</u>	(1.5)
Total Debt Service Fund	<u>24,453</u>	<u>24,097</u>	<u>(356)</u>	(1.5)
Capital Projects Fund				
Restricted:				
Capital Projects Fund	<u>249,005</u>	<u>3,140,079</u>	<u>2,891,074</u>	1,161.1
Total Capital Projects Fund	<u>249,005</u>	<u>3,140,079</u>	<u>2,891,074</u>	1,161.1
Total fund balance	<u>\$ 18,621,294</u>	<u>\$ 25,171,182</u>	<u>\$ 6,549,888</u>	35.2

General Fund

The General Fund reported an increase in fund balance of \$3,581,649 for fiscal year 2016, as

compared to a decrease in fund balance of \$950,422 for fiscal 2015. Revenues increased \$4,916,488 mainly as a result of an increase in the budgeted property tax levy and in increase in the amount of New York State Aid from the New York State Department of Education. Expenditures remained consistent with fiscal year 2015.

School Lunch

The School Lunch Fund reported an increase in fund balance of \$77,521 for fiscal year 2016, as compared to an increase of \$183,079 for fiscal year 2015. Sales increased by \$61,102 as a result of an increase in students purchasing lunch and breakfast. Expenses related to school lunch operations increased by \$222,118 as a result of equipment purchases made during fiscal 2016.

General Fund Budgetary Highlights

Reference is made to supplementary schedule on page 48 which presents adopted and final budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were higher than the final budgeted revenues by \$875,282 due to higher than anticipated charges for services and miscellaneous items.
- Actual expenditures were approximately \$4.0 million less than budget primarily due to lower than anticipated costs in the instruction, pupil transportation and employee benefit categories. This is due to lower than anticipated increases in salaries and employee benefits.
- The District is implementing a strategic plan to produce lower and stable budgets and levy increases over the next immediate budget years. Appropriate use of District reserves to help ease the burden on the individual household taxpayer is part of this plan to help stabilize tax levy increases in the future.

As of June 30, 2016, the District's unassigned fund balance was \$6,001,895 which was within the allowable 4% of the subsequent year's budget (\$151,534,773) as promulgated by New York State (see page 54). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2016:

Unassigned fund balance, beginning of year	\$ 5,939,819
Add:	
Prior-year appropriated fund balance	1,500,000
Prior-year encumbrances	80,850
Net change in fund balance	3,581,649
Less:	
Current-year appropriated fund balance	(2,100,000)
Current-year encumbrances	(283,308)
Board approved transfer to Retirement Contribution Reserve	(800,000)
Board approved transfer to Workers' Compensation Reserve	(800,000)
Board approved transfer to Unemployment Insurance Reserve	(300,000)
Board approved transfer to Employee Benefit Accrued Liability Reserve	(800,000)
Transfer to Employee Benefit Accrued Liability Reserve for interest	(5,692)
Transfer to Retirement Contribution Reserve for interest	(6,957)
Transfer to Unemployment Insurance Reserve for interest	(800)
Transfer to Workers' Compensation Reserve for interest	(3,666)
Unassigned fund balance, end of year	<u><u>\$ 6,001,895</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had invested \$52,280,963, net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices.

Table A-9: Capital Assets (net of depreciation)

	<u>6/30/15</u>	<u>6/30/16</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 549,950	\$ 549,950	\$ -	0.0
Construction-in-progress	317,350	6,259,299	5,941,949	1,872.4
Land improvements	2,879,890	2,619,452	(260,438)	(9.0)
Buildings and building improvements	43,289,639	41,730,647	(1,558,992)	(3.6)
Furniture and equipment	1,056,679	1,121,615	64,936	6.1
Totals	<u>\$ 48,093,508</u>	<u>\$ 52,280,963</u>	<u>\$ 4,187,455</u>	8.7

Long-Term Debt

As of June 30, 2016, the District had \$123,813,204 in general obligation bonds and other long-term debt.

Table A-10: Outstanding Long-Term Debt

	<u>6/30/15</u>	<u>6/30/16</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable	\$ 17,620,000	\$ 23,490,000	\$ 5,870,000	33.3
Energy performance bond	7,039,515	6,313,796	(725,719)	(10.3)
Workers' compensation claims payable	2,046,163	1,426,261	(619,902)	(30.3)
Compensated absences	12,421,000	13,447,086	1,026,086	8.3
Other post-employment benefits	67,366,080	79,136,061	11,769,981	17.5
Due to employees' retirement system	57,892	-	(57,892)	(100.0)
Totals	<u>\$ 106,550,650</u>	<u>\$ 123,813,204</u>	<u>\$ 17,262,554</u>	16.2

FACTORS BEARING ON THE FUTURE OF DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The General Fund Budget for the 2016-2017 school year was approved by the voters in the amount of \$151,534,773 which represents an increase of \$3,039,322 or 2.05%.
- The General Fund budget for the 2016-2017 school year is impacted by certain trends affecting school districts. These include potential increases in retirement contributions, health insurance costs, workers' compensation judgments and potential unemployment insurance claims, which are beyond the District's control.

- The New York State imposed a minimum tax levy increase of the lesser of 2% or the CPI effective for the fiscal year ended 2015-2016 budget, subject to certain exclusions. Based on the value of obligatory contractual increases and continued increases in the state's unfunded mandates, it is expected that reductions may be necessary. The District will continue to consolidate services to maintain its high standards. If the downward economic trend continues, and state mandates and legal requirements continue to escalate, there will be an inevitable negative impact on the District's programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, please contact:

Lindenhurst Union Free School District
District Offices
350 Daniel Street
Lindenhurst, New York 11757
(631) 226-6565

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

ASSETS

Current assets:		
Unrestricted cash	\$	16,471,388
Receivables:		
State and federal aid		4,876,669
Due from fiduciary funds		2,607,172
Other receivables		295,719
Inventories		9,304
Noncurrent assets:		
Restricted cash		16,248,940
Capital assets:		
Non-depreciable		6,809,249
Depreciable, net		45,471,714
Net pension asset - proportionate share, NYSTRS		41,236,028
Total assets		<u>134,026,183</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related		<u>15,563,825</u>
Total deferred outflows of resources		<u>15,563,825</u>

LIABILITIES

Current liabilities:		
Payables:		
Accounts payable		2,245,909
Accrued interest payable		281,753
Accrued liabilities		709,368
Unearned revenue		149,959
Due to fiduciary funds		2,302,637
Due to other governments		750
Due to teachers' retirement system		8,675,416
Due to employees' retirement system		580,369
Compensated absences		671,802
Long-term liabilities, due within one year:		
Bonds payable		3,465,000
Workers' compensation claims payable		1,426,261
Other liabilities		744,468
Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Bonds payable		20,025,000
Compensated absences		13,447,086
Other post-employment benefits		79,136,061
Net pension liability - proportionate share of, NYSERS		6,965,872
Other liabilities		<u>5,569,328</u>
Total liabilities		<u>146,397,039</u>

DEFERRED INFLOWS OF RESOURCES

State aid received in advance		1,800
Deferred inflows from issuance of bonds, net of amortization		266,438
Pension related		<u>15,020,921</u>
Total deferred inflows of resources		<u>15,289,159</u>

NET POSITION

Net investment in capital assets		22,210,729
Restricted:		
Employee Benefit Accrued Liability		4,665,775
Retirement Contributions		4,104,902
Unemployment Insurance		646,368
Workers' Compensation		3,170,765
Capital Projects Fund		3,140,079
Debt Service Fund		24,097
Unrestricted		<u>(50,058,905)</u>
Total net position	\$	<u>(12,096,190)</u>

The accompanying notes to financial statements are an
integral part of this statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense)
		Charges for	Operating Grants	Revenue and
	Expenses	Services	and Contributions	Change in
				Net Position
Functions and programs:				
General support	\$ 18,277,746	\$ -	\$ -	\$ (18,277,746)
Instruction	121,206,754	850,056	3,551,821	(116,804,877)
Pupil transportation	7,947,444	55,738	232,892	(7,658,814)
Community services	136,244	955	3,995	(131,294)
Debt service - interest	692,416	-	-	(692,416)
School lunch program	1,805,234	1,070,480	1,010,045	275,291
Total functions and programs	<u>\$ 150,065,838</u>	<u>\$ 1,977,229</u>	<u>\$ 4,798,753</u>	<u>(143,289,856)</u>
General revenues:				
Real property taxes				79,089,941
Other tax items				14,902,887
Use of money and property				887,481
Sale of property and compensation for loss				73,404
State sources				51,415,264
Federal sources				123,404
Miscellaneous				660,471
Total general revenues				<u>147,152,852</u>
Change in net position				3,862,996
Total net position, beginning of year				<u>(15,959,186)</u>
Total net position, end of year				<u>\$ (12,096,190)</u>

The accompanying notes to financial statements are an
integral part of this statement.

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

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash:						
Unrestricted	\$ 15,426,315	\$ -	\$ 1,045,073	\$ -	\$ -	\$ 16,471,388
Restricted	12,587,810	425,000	-	24,097	3,212,033	16,248,940
Receivables:						
State and federal aid	2,910,118	1,900,105	66,446	-	-	4,876,669
Due from other funds	167,278	492,081	-	-	-	659,359
Due from fiduciary funds	2,607,172	-	-	-	-	2,607,172
Other	295,719	-	-	-	-	295,719
Inventories	-	-	9,304	-	-	9,304
Total assets	<u>\$ 33,994,412</u>	<u>\$ 2,817,186</u>	<u>\$ 1,120,823</u>	<u>\$ 24,097</u>	<u>\$ 3,212,033</u>	<u>\$ 41,168,551</u>
LIABILITIES						
Payables:						
Accounts payable	\$ 1,895,345	\$ 253,748	\$ 71,863	\$ -	\$ 24,953	\$ 2,245,909
Accrued liabilities	704,586	4,782	-	-	-	709,368
Due to other funds	492,081	120,277	-	-	47,001	659,359
Due to fiduciary funds	-	2,302,637	-	-	-	2,302,637
Due to other governments	-	-	750	-	-	750
Due to teachers' retirement system	8,675,416	-	-	-	-	8,675,416
Due to employees' retirement system	580,369	-	-	-	-	580,369
Unearned revenue	-	135,742	14,217	-	-	149,959
Compensated absences	671,802	-	-	-	-	671,802
Total liabilities	<u>13,019,599</u>	<u>2,817,186</u>	<u>86,830</u>	<u>-</u>	<u>71,954</u>	<u>15,995,569</u>
DEFERRED INFLOWS OF RESOURCES						
State aid revenues received in advance	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
Total deferred inflows of resources	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
Total liabilities and deferred inflows of resources	<u>13,021,399</u>	<u>2,817,186</u>	<u>86,830</u>	<u>-</u>	<u>71,954</u>	<u>15,997,369</u>
FUND BALANCE						
Fund balance:						
Nonspendable	-	-	9,304	-	-	9,304
Restricted	12,587,810	-	-	24,097	3,140,079	15,751,986
Assigned	2,383,308	-	1,024,689	-	-	3,407,997
Unassigned	6,001,895	-	-	-	-	6,001,895
Total fund balance	<u>20,973,013</u>	<u>-</u>	<u>1,033,993</u>	<u>24,097</u>	<u>3,140,079</u>	<u>25,171,182</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 33,994,412</u>	<u>\$ 2,817,186</u>	<u>\$ 1,120,823</u>	<u>\$ 24,097</u>	<u>\$ 3,212,033</u>	<u>\$ 41,168,551</u>

The accompanying notes to financial statements are an
integral part of this statement.

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

Total Fund Balance - Governmental Funds	\$ 25,171,182
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Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 6,809,249	
Depreciable	103,109,169	
Accumulated depreciation	(57,637,455)	52,280,963

Proportionate share of long-term asset and liability, and deferred outflows and inflows of resources associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the fund financial statements:

Proportionate share of net pension asset - NYSTRS	41,236,028	
Deferred outflows of resources - pension related	15,563,825	
Proportionate share of net pension liability - NYSERS	(6,965,872)	
Deferred inflows of resources - pension related	(15,020,921)	34,813,060

Deferred charge from refunding bonds	(266,438)
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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable	(23,490,000)	
Workers' compensation claims payable	(1,426,261)	
Other post-employment benefits	(79,136,061)	
Compensated absences	(13,447,086)	
Other liabilities	(6,313,796)	(123,813,204)

Interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.

(281,753)

Net Position - Governmental Activities	\$ (12,096,190)
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The accompanying notes to financial statements are an integral part of this statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 79,089,941	\$ -	\$ -	\$ -	\$ -	\$ 79,089,941
Other tax items	14,902,887	-	-	-	-	14,902,887
Charges for services	906,749	-	-	-	-	906,749
Use of money and property	887,079	-	385	17	-	887,481
Sale of property and compensation for loss	73,404	-	-	-	-	73,404
State sources	51,415,264	1,187,557	41,385	-	-	52,644,206
Federal sources	123,404	2,289,252	968,660	-	-	3,381,316
Local sources	-	311,899	-	-	-	311,899
Sales	-	-	1,070,480	-	-	1,070,480
Miscellaneous	606,397	-	9,370	-	-	615,767
Total revenues	148,005,125	3,788,708	2,090,280	17	-	153,884,130
EXPENDITURES						
Current -						
General support	14,438,722	-	208,522	-	-	14,647,244
Instruction	82,646,620	3,723,126	-	-	-	86,369,746
Community services	91,147	-	-	-	-	91,147
Pupil transportation	7,531,586	340,582	-	-	-	7,872,168
Employee benefits	34,694,191	-	-	-	-	34,694,191
Debt service -						
Principal	3,655,719	-	-	-	-	3,655,719
Interest	784,198	-	-	-	-	784,198
Cost of sales	-	-	1,805,234	-	-	1,805,234
Capital outlay	-	-	-	-	6,259,299	6,259,299
Total expenditures	143,842,183	4,063,708	2,013,756	-	6,259,299	156,178,946
Excess (deficiency) of revenues over (under) expenditures	4,162,942	(275,000)	76,524	17	(6,259,299)	(2,294,816)
OTHER FINANCING SOURCES (USES)						
Proceeds of serial bonds	-	-	-	-	8,800,000	8,800,000
Premium on bond issuance	44,704	-	-	-	-	44,704
Operating transfers in	-	275,000	997	-	432,740	708,737
Operating transfers out	(625,997)	-	-	(373)	(82,367)	(708,737)
Total other financing sources (uses)	(581,293)	275,000	997	(373)	9,150,373	8,844,704
Change in fund balance	3,581,649	-	77,521	(356)	2,891,074	6,549,888
Fund balance, beginning of year	17,391,364	-	956,472	24,453	249,005	18,621,294
Fund balance, end of year	\$ 20,973,013	\$ -	\$ 1,033,993	\$ 24,097	\$ 3,140,079	\$ 25,171,182

The accompanying notes to financial statements are an
integral part of this statement.

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

Net Change in Fund Balance - Governmental Activities \$ 6,549,888

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital outlay	\$ 6,492,878	
Depreciation expense	<u>(2,305,423)</u>	4,187,455

Deferred financing costs reported in the governmental funds require the use of current financial resources. However, in the Statement of Activities, these costs are amortized over the life of the related debt. 88,813

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Bond issuance	(8,800,000)	
Repayment of bond principal	2,930,000	
Other liabilities	<u>725,719</u>	(5,144,281)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Other post-employment benefits	(11,769,981)	
Workers' compensation claims payable	619,902	
Compensated absences	(1,026,086)	
Accrued interest costs	2,969	
Due to employees' retirement system	<u>57,892</u>	(12,115,304)

(Increases) decreases in the proportionate share of the net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	10,833,839	
Employees' Retirement System	<u>(537,414)</u>	10,296,425

Net Change in Net Position - Governmental Activities \$ 3,862,996

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

	Scholarship Trusts	Agency Funds
ASSETS		
Cash:		
Restricted	\$ 18,364	\$ 542,685
Receivables	-	4,869
Due from governmental funds	-	2,302,637
	<hr/>	<hr/>
Total assets	<u>\$ 18,364</u>	<u>\$ 2,850,191</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ 2,607,172
Extraclassroom activity balances	-	194,171
Other liabilities	-	48,848
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 2,850,191</u>
NET POSITION		
Restricted for:		
Endowment scholarships	<hr/> 18,364	
	<hr/>	
Total net position	<u>\$ 18,364</u>	

The accompanying notes to financial statements are an
integral part of this statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Scholarship Trusts
ADDITIONS	
Contributions	\$ 6,800
Investment earnings:	
Interest	10
Total additions	<u>6,810</u>
DEDUCTIONS	
Scholarships and awards	<u>8,425</u>
Total deductions	<u>8,425</u>
Change in net position	(1,615)
Net position, beginning of year	<u>19,979</u>
Net position, end of year	<u><u>\$ 18,364</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on such criteria, the District's Extraclassroom Activity Funds have been included in the accompanying financial statements. See corresponding note below.

B. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

The District is a component district in the Western Suffolk Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that 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, the District was billed \$10,086,003 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,531,938.

Financial statements for the BOCES are available from the BOCES administrative office.

D. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

2. Fund financial statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

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

E. Measurement focus and basis of accounting

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

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time 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.

F. Property taxes

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected during the period from December 1 to June 30.

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

G. Restricted resources

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

H. Interfund transactions

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. 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, potential contingent liabilities and useful lives of long-lived assets and the proportionate share of net pension assets and liabilities.

J. Cash and cash equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

K. 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.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

M. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

Debt (bond) issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred on both the District-wide and fund financial statements. On the District-wide financial statements, prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic rational manner over the duration of the related debt.

N. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 20,000	Straight-line	20 years
Buildings and building improvements	\$ 20,000	Straight-line	15-50 years
Furniture and equipment	\$ 1,000	Straight-line	5-25 years
Licensed vehicles	\$ 1,000	Straight-line	5-15 years

O. Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. First relates to the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Second is the District contributions to the pension systems (New York State Employees' Retirement System ("NYERS") and New York State Teachers' Retirement System ("NYSTRS")) subsequent to the measurement date.

P. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has various items that qualify for reporting in this category. This may arise under the modified accrual basis of accounting and may be reported as unavailable revenue. This may also arise when reporting on pensions in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Deferred inflows of resources may be recognized when bonds are refunded prior to their maturity dates.

Q. Unearned revenues

The District reports unearned revenues on its Statement of Net Position and Balance Sheet. On the Statement of Net Position and Balance Sheet, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

R. Vested employee benefits - compensated absences

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

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

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

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

S. Other benefits

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 post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

T. Short-term debt

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

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

The District may issue Bond Anticipation Notes ("BAN"), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes to be converted to long-term financing within five years after the original issue date. The District did not have any short-term debt outstanding at June 30, 2016.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

U. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments and other post-employment benefits that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent 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.

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from 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. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: Is the 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 components of net position, and is deemed to be available for general use by the District.

Fund financial statements

In the fund financial statements there are five classifications of fund balance:

1. Nonspendable: Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory in the School Lunch Fund of \$9,304.
2. Restricted: Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Retirement Contributions

According to General Municipal Law §6-r, such amounts must be used for 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.

Unemployment Insurance

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

Workers' Compensation

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

3. Committed: Includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Education is the decision-making authority that can, by Board resolution, commit fund balance. The District has no committed fund balances as of June 30, 2016.
4. Assigned: Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the assignment must be narrower than the purpose of the General Fund. All encumbrances of the General Fund are classified as assigned fund balance as of June 30, 2016, based on the fact that there are no restricted resources on hand to liquidate them, and amounted to \$283,308. The remaining amount of assigned fund balance consisted of funds designated for subsequent year's expenditures in the General Fund of \$2,100,000, and the aggregate School Lunch Fund fund balance of \$1,024,689.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as either restricted, committed or assigned fund balance to the extent to which purpose limitations have been established regarding use of the amounts. Encumbrances do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

5. Unassigned: Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District.

Fund balances for all governmental funds as of June 30, 2016 were distributed as follows:

	General	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
Nonspendable:					
Inventories	\$ -	\$ 9,304	\$ -	\$ -	\$ 9,304
Total nonspendable	-	9,304	-	-	9,304
Restricted					
Employee Benefit Accrued Liability	4,665,775	-	-	-	4,665,775
Retirement Contributions	4,104,902	-	-	-	4,104,902
Unemployment Insurance	646,368	-	-	-	646,368
Workers' Compensation	3,170,765	-	-	-	3,170,765
Debt Service Fund	-	-	24,097	-	24,097
Capital Projects Fund	-	-	-	3,140,079	3,140,079
Total restricted	12,587,810	-	24,097	3,140,079	15,751,986
Assigned					
Designated for subsequent year's expenditures	2,100,000	-	-	-	2,100,000
Encumbrances	283,308	-	-	-	283,308
School Lunch Fund	-	1,024,689	-	-	1,024,689
Total assigned	2,383,308	1,024,689	-	-	3,407,997
Unassigned	6,001,895	-	-	-	6,001,895
Total	<u>\$ 20,973,013</u>	<u>\$ 1,033,993</u>	<u>\$ 24,097</u>	<u>\$ 3,140,079</u>	<u>\$ 25,171,182</u>

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of fund balance

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

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

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the 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 governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The categories are shown below:

1. Long-term revenue/expense differences

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

2. Capital related differences

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

3. Long-term debt transaction differences

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

4. Pension differences

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

The following supplemental appropriations occurred during the year:

Grant-in-Aid	\$ 127,500
Donations	<u>6,892</u>
	<u>\$ 134,392</u>

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

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

Encumbrances

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

The portion of the District's School Lunch Fund fund balance subject to Federal regulations 7CFR Part 210.14(b) limit exceeded the amount allowable, which is three months average expenditure level. Actions the District plans to pursue to address this issue include purchasing several new pieces of kitchen equipment and making substantial improvements to the school kitchen serving lines in the upcoming year.

4. **CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name. They consisted of:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General	\$ 28,955,156	\$ 28,014,125
Special Aid	505,996	425,000
School Lunch	1,049,852	1,045,073
Debt Service	24,097	24,097
Capital	3,275,611	3,212,033
Fiduciary Funds	766,353	561,049
	<u>\$ 34,577,065</u>	<u>\$ 33,281,377</u>

Credit risk: State law limits investments to those authorized by State statutes. The District has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of June 30, 2016, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. RECEIVABLES

A. State and federal aid

State and federal aid receivables at June 30, 2016, consisted of the following:

General Fund:	
BOCES aid	\$ 971,018
New York State Aid - excess cost aid	1,939,100
Special Aid Fund:	
State and federal grants	1,900,105
School Lunch Fund:	
School breakfast and lunch reimbursement	66,446
	<u>\$ 4,876,669</u>

B. Other receivables

Other receivables at June 30, 2016, consisted of the following:

General Fund:	
American School for the Deaf	\$ 105,478
North Babylon UFSD	89,380
West Babylon UFSD	88,047
Various receivables	12,814
	<u>\$ 295,719</u>

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 549,950	\$ -	\$ -	\$ 549,950
Construction-in-progress	317,350	6,259,299	(317,350)	6,259,299
Total nondepreciable assets	867,300	6,259,299	(317,350)	6,809,249
Capital assets that are depreciated:				
Land improvements	6,910,063	-	-	6,910,063
Buildings and building improvements	92,424,104	7,525	317,350	92,748,979
Furniture and equipment	3,280,743	234,939	(65,555)	3,450,127
Total depreciable assets	102,614,910	242,464	251,795	103,109,169
Less accumulated depreciation:				
Land improvements	4,030,173	260,438	-	4,290,611
Buildings and building improvements	49,134,465	1,883,867	-	51,018,332
Furniture and equipment	2,224,064	161,118	(56,670)	2,328,512
Total accumulated depreciation	55,388,702	2,305,423	(56,670)	57,637,455
Total capital assets, net	<u>\$ 48,093,508</u>	<u>\$ 4,196,340</u>	<u>\$ (8,885)</u>	<u>\$ 52,280,963</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 229,470
Instruction	2,068,805
Community services	4,470
Pupil transportation	2,678
	<u>\$ 2,305,423</u>

7. SHORT-TERM DEBT OBLIGATIONS

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN matured on 6/20/16 at 1.5%	<u>\$ -</u>	<u>\$ 19,500,000</u>	<u>\$ 19,500,000</u>	<u>\$ -</u>

Interest on short-term debt for the year was \$44,232.

8. LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 17,620,000	\$ 8,800,000	\$ 2,930,000	\$ 23,490,000	\$ 3,465,000
Energy performance bond	7,039,515	-	725,719	6,313,796	744,468
Compensated absences	12,421,000	1,697,888	671,802	13,447,086	-
Other post-employment benefits	67,366,080	17,038,444	5,268,463	79,136,061	-
Workers' compensation claims payable	2,046,163	485,400	1,105,302	1,426,261	1,426,261
Due to employees' retirement system	57,892	-	57,892	-	-
Total long-term liabilities	<u>\$ 106,550,650</u>	<u>\$ 28,021,732</u>	<u>\$ 10,759,178</u>	<u>\$ 123,813,204</u>	<u>\$ 5,635,729</u>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately.

The following is a summary of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2016
Serial Bonds	11/11/01	06/15/18	2.13%	\$ 1,355,000
Serial Bonds	12/06/07	07/15/18	4.00-5.00%	1,260,000
Serial Bonds	07/07/10	07/01/23	3.13-3.50%	3,475,000
Serial Bonds	05/05/12	07/15/18	3.00-5.00%	3,235,000
Refunding Bonds	01/15/15	07/15/24	2.00-3.50%	5,365,000
Serial Bonds	03/01/16	09/01/30	2.25-3.00%	8,800,000
				<u>\$ 23,490,000</u>
Energy Performance Bond	08/26/06	02/26/21	3.47%	\$ 2,035,943
Energy Performance Bond	12/14/11	12/14/26	2.66%	3,818,925
Energy Performance Bond	01/05/12	12/14/26	3.62%	458,928
				<u>\$ 6,313,796</u>

The following is a summary of maturing debt service requirements:

Year Ended June 30,	Serial Bonds		Energy Performance Bonds		Totals
	Principal	Interest	Principal	Interest	
2017	\$ 3,465,000	\$ 774,070	\$ 744,468	\$ 162,222	\$ 5,145,760
2018	3,655,000	558,194	763,713	142,978	5,119,885
2019	3,060,000	427,869	783,465	123,226	4,394,560
2020	1,530,000	351,831	803,739	102,951	2,788,521
2021	1,580,000	308,631	824,550	82,141	2,795,322
2022-2026	6,870,000	875,063	2,160,990	199,943	10,105,996
2027-2031	3,330,000	251,456	232,871	3,222	3,817,549
	<u>\$ 23,490,000</u>	<u>\$ 3,547,114</u>	<u>\$ 6,313,796</u>	<u>\$ 816,683</u>	<u>\$ 34,167,593</u>

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

Interest paid	\$ 784,198
Amortization of deferred inflows from issuance of bonds	(88,813)
Less interest accrued in the prior year	(284,722)
Plus interest accrued in the current year	<u>281,753</u>
Interest expense	<u>\$ 692,416</u>

9. PENSION PLANS

General information

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (collectively referred to as the "Systems").

Plan descriptions and benefits provided

Employees' Retirement System

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

Teachers' Retirement System

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

Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2016	\$ 2,180,828	\$ 7,790,837
2015	2,201,930	10,549,461
2014	2,479,052	9,689,942

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The net pension asset/(liability) was measured as of March 31, 2015 for NYSERS and June 30, 2014 for NYSTRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSERS and NYSTRS Systems in reports provided to the District.

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems.

	<u>NYSERS</u>	<u>NYSTRS</u>
Actuarial Valuation Date	April 1, 2015	June 30, 2014
Net pension asset (liability)	\$ (6,965,872)	\$ 41,236,028
District's portion of the Plan's total net pension asset (liability)	0.0434003%	0.397004%

For the year ended June 30, 2016, the District recognized pension expense of \$2,587,875 for NYSERS and pension income of \$2,713,207 for NYSTRS. At June 30, 2016, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources - NYSERS	Deferred Outflows of Resources - NYSTRS	Deferred Inflows of Resources - NYSERS	Deferred Inflows of Resources - NYSTRS
Differences between expected experience and actual experience	\$ 35,200	\$ -	\$ 825,688	\$ 1,142,826
Changes of assumptions	1,857,588	-	-	-
Net difference between projected and actual earnings on pension plan investments	4,132,538	-	-	13,034,923
Changes in proportion and differences between the District's contributions and proportionate share of contributions	371,666	142,569	-	17,484
Employer contributions subsequent to the measurement date	580,369	8,443,895	-	-
Total	<u>\$ 6,977,361</u>	<u>\$ 8,586,464</u>	<u>\$ 825,688</u>	<u>\$ 14,195,233</u>

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

<u>For the year ended:</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2017	\$ 1,418,098	\$ (5,243,586)
2018	1,418,098	(5,243,586)
2019	1,418,098	(5,243,586)
2020	1,317,010	2,181,674
2021	-	(128,540)
Thereafter	-	(375,040)

Actuarial assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8.00%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2005 to June 30, 2010 System's Experience
Inflation rate	2.50%	3.00%

For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For NYSTRS, annuitant mortality rates are based on July 1, 2005 - June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For NYSERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For NYSTRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

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

	NYSERS		NYSTRS	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Measurement date	March 31, 2016		June 30, 2015	
Asset type				
Absolute Return Strategies	3%	7%	-	-
Alternative Investments	-	-	7%	10%
Bonds and Mortgages	18%	4%	8%	3%
Cash	2%	2%	-	-
Domestic Equity	38%	7%	37%	7%
Domestic Fixed Income	-	-	17%	2%
Global Fixed Income	-	-	2%	2%
Inflation-Indexed Bonds	2%	4%	-	-
International Equity	13%	9%	18%	8%
Opportunistic Portfolio	3%	9%	-	-
Private Equity	10%	11%	-	-
Real Assets	3%	9%	-	-
Real Estate	8%	8%	10%	5%
Short-term	-	-	1%	1%
	<u>100%</u>		<u>100%</u>	

Discount rate

The discount rate used to calculate the total pension liability was 7.0% for NYSERS and 8.0% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset/(liability) to the discount rate assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for NYSERS and 8.0% for NYSTRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for NYSERS and 7.0% for NYSTRS) or 1-percentage point higher (8.0% for NYSERS and 9.0% for NYSTRS) than the current rate:

<u>NYSERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (15,707,536)	\$ (6,965,872)	\$ 420,460
<u>NYSTRS</u>	<u>1% Decrease (7.0%)</u>	<u>Current assumption (8.0%)</u>	<u>1% Increase (9.0%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (2,812,829)	\$ 41,236,028	\$ 78,800,452

Pension plan fiduciary net position

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

	<u>(Dollars in Thousands)</u>	
	<u>NYSERS</u>	<u>NYSTRS</u>
Valuation date	April 1, 2015	June 30, 2014
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (99,332,104)
Plan net position	<u>156,253,265</u>	<u>109,718,917</u>
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>
Ratio of plan net position to the employers' total pension asset/(liability)	<u>90.68%</u>	<u>110.46%</u>

Payables to the pension plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2016 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$580,369.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the system in September, October and November 2015 through a State aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$8,675,416.

10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 2,774,450	\$ 492,081	\$ -	\$ 625,997
Special Aid Fund	492,081	2,422,914	275,000	-
School Lunch Fund	-	-	997	-
Debt Service Fund	-	-	-	373
Capital Projects Fund	-	47,001	432,740	82,367
Fiduciary Funds	2,302,637	2,607,172	-	-
Totals	<u>\$ 5,569,168</u>	<u>\$ 5,569,168</u>	<u>\$ 708,737</u>	<u>\$ 708,737</u>

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

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

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

11. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

Plan description and annual OPEB cost

The District provides post-employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, (standards codified in 2012) in the school year June 30, 2009. This requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 532 retired employees receive health benefits from the District. Retirees contribute 0% to 65% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$5,268,463 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2015, which indicates that the total liability for other post-employment benefits is \$182,346,996.

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution* ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	For the Year Ended <u>06/30/2016</u>
Annual required contribution	\$ 17,190,820
Interest on net OPEB obligation	2,731,202
Adjustment to annual required contribution	<u>(2,883,578)</u>
Annual OPEB cost	17,038,444
Contributions made	<u>5,268,463</u>
Increase in net OPEB obligation	11,769,981
Net OPEB obligation, beginning of year	<u>67,366,080</u>
Net OPEB obligation, end of year	<u>\$ 79,136,061</u>

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 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2016	\$ 17,038,444	30.9%	\$ 79,136,061
06/30/2015	16,923,360	21.8%	67,366,080
06/30/2014	16,357,809	38.2%	57,353,589

Funded status and funding progress

As of April 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$182,346,996 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$182,346,996. The covered payroll (annual payroll of active employees covered by the plan) was \$68,729,000, and the ratio of the UAAL to the covered payroll was 265.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.0%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 22 years.

12. RISK MANAGEMENT

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

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

The District participates in the Nassau County Schools Cooperative Self-Insurance Plan, a risk-retained pool, to insure Workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

There have been no significant reductions in insurance coverage as compared to the prior years, and there were no settlements in excess of coverage over the last three years.

The District has not purchased any annuity contracts.

13. CONTINGENCIES AND COMMITMENTS

Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-13 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for school districts for fiscal years beginning July 1, 2014 at 1.46 percent (before exemptions). School districts can exceed the tax levy limit by a 60 percent vote of the governing body, or by local law. In July 2015, the Real Property Tax Cap Laws were extended to June 15, 2020.

Service concession arrangements

In accordance with GASB Pronouncements, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow for up-front or installment payments received from the operator in advance of the revenue being earned. The District did not have any service concession arrangements for the fiscal year ended June 30, 2016, and accordingly, no liability or deferred inflow of resources was reflected on the District's financial statements.

Litigation

The District is involved in lawsuits arising from the normal conduct of business. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

14. FUTURE ACCOUNTING STANDARDS

GASB has issued Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, effective for the year ending June 30, 2017. This Statement establishes new accounting and financial reporting requirements for defined contribution OPEB plans. The new criteria will require more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB has issued Statement No. 77, Tax Abatement Disclosures, effective for the year ending June 30, 2017, which will require disclosures regarding tax abatement agreements, specifically: a brief description, the gross dollar amount of taxes abated, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement.

GASB has issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, effective for the year ending June 30, 2017. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing, multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employees, and (3) has no predominant state or local governmental employer.

GASB has issued Statement No. 80, Blending Requirements For Certain Component Units - An Amendment of GASB No. 14, effective for the year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The new criteria will require blending of a component unit incorporated as not-for-profit corporation in which the primary government is the sole corporate member.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73, effective for the year ending June 30, 2018. This Statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

15. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of September 26, 2016 which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined the following subsequent events have occurred, which requires disclosure in the financial statements:

On September 29, 2016, the District will issue \$19,000,000 of tax anticipation notes at an interest rate of 2.00%, maturing on June 22, 2017.

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance
REVENUES					
Local sources:					
Real property taxes	\$ 80,748,302	\$ 80,748,302	\$ 79,089,941		\$ (1,658,361)
Other tax items	13,209,274	13,209,274	14,902,887		1,693,613
Charges for services	680,000	680,000	906,749		226,749
Use of money and property	1,044,446	1,044,446	887,079		(157,367)
Sale of property and compensation for loss	-	-	73,404		73,404
Miscellaneous	140,000	146,892	606,397		459,505
Total local sources	95,822,022	95,828,914	96,466,457		637,543
State sources	51,003,429	51,130,929	51,415,264		284,335
Federal sources	170,000	170,000	123,404		(46,596)
Total revenues	146,995,451	147,129,843	148,005,125		875,282
OTHER FINANCING SOURCES					
Appropriated reserves	1,500,000	1,580,850	-		(1,580,850)
Total revenues and other financing sources	148,495,451	148,710,693	148,005,125		(705,568)
EXPENDITURES					
General support:					
Board of Education	65,718	68,913	54,386	\$ -	14,527
Central administration	377,925	334,980	318,495	2,333	14,152
Finance	1,331,243	1,579,529	1,494,031	40,000	45,498
Staff	245,194	228,494	207,589	-	20,905
Central services	12,028,169	12,134,373	11,144,346	238,628	751,399
Special items	1,242,628	1,249,668	1,219,875	-	29,793
Total general support	15,290,877	15,595,957	14,438,722	280,961	876,274
Instruction:					
Instruction, administration and improvement	6,518,225	6,374,003	6,239,431	-	134,572
Teaching - regular school	46,449,777	45,105,904	44,528,339	-	577,565
Programs for children with handicapping conditions	20,510,055	21,998,947	21,582,053	-	416,894
Teaching - special school	2,091,194	2,126,070	2,126,070	-	-
Instructional media	2,099,759	2,175,021	2,103,352	75	71,594
Pupil services	6,088,456	6,117,437	6,067,375	2,272	47,790
Total instruction	83,757,466	83,897,382	82,646,620	2,347	1,248,415
Pupil transportation	7,420,296	7,756,504	7,531,586	-	224,918
Community services	103,386	102,086	91,147	-	10,939
Employee benefits	36,742,741	36,253,798	34,694,191	-	1,559,607
Debt service:					
Principal	3,655,719	3,655,719	3,655,719	-	-
Interest	889,966	814,247	784,198	-	30,049
Total expenditures	147,860,451	148,075,693	143,842,183	283,308	3,950,202
OTHER FINANCING USES					
Premium on bond issuance	-	-	44,704	-	(44,704)
Operating transfers out	635,000	635,000	625,997	-	9,003
Total expenditures and other financing uses	148,495,451	148,710,693	144,423,476	\$ 283,308	4,003,909
Net change in fund balance	\$ -	\$ -	3,581,649		\$ 3,298,341
Fund balance, beginning of year			17,391,364		
Fund balance, end of year			\$ 20,973,013		

Note to Required Supplementary Information

Budget Basis of Accounting

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

REQUIRED
SUPPLEMENTARY
INFORMATION

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/15	\$ -	\$ 182,346,996	\$ 182,346,996	0%	\$ 68,729,000	265.3%
07/01/13	-	182,110,055	182,110,055	0%	68,255,091	266.8%
07/01/11	-	159,255,470	159,255,470	0%	63,438,237	251.0%

REQUIRED
SUPPLEMENTARY
INFORMATION

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>
District's proportionate share of the net pension liability	0.04340%	0.04263%	0.04263%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (6,966)	\$ (1,440)	\$ (1,926)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 11,978	\$ 13,212	\$ 12,140	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	58.16%	10.90%	15.86%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%	97.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

REQUIRED
SUPPLEMENTARY
INFORMATION

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>
District's proportionate share of the net pension asset	0.397004%	0.401570%	0.398230%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset	\$ 41,236	\$ 44,732	\$ 2,621	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 63,679	\$ 61,481	\$ 60,955	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset as a percentage of covered payroll	64.76%	72.76%	4.30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%	100.70%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

REQUIRED
SUPPLEMENTARY
INFORMATION

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>
Contractually required contribution	\$ 2,181	\$ 2,202	\$ 2,479	\$ 2,441	\$ 1,531	\$ 1,541	\$ 858	\$ 846	\$ 951	\$ 1,007
Contributions in relation to the contractually required contribution	<u>2,181</u>	<u>2,202</u>	<u>2,479</u>	<u>2,441</u>	<u>1,531</u>	<u>1,541</u>	<u>858</u>	<u>846</u>	<u>951</u>	<u>1,007</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,978	\$ 13,212	\$ 12,140	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.21%	16.67%	20.42%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

REQUIRED
SUPPLEMENTARY
INFORMATION

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>	<u>**2008</u>	<u>**2007</u>
Contractually required contribution	\$ 7,791	\$ 10,549	\$ 9,690	\$ 7,082	\$ 6,459	\$ 5,352	\$ 6,459	\$ 4,413	\$ 4,527	\$ 4,209
Contributions in relation to the contractually required contribution	<u>7,791</u>	<u>10,549</u>	<u>9,690</u>	<u>7,082</u>	<u>6,459</u>	<u>5,352</u>	<u>6,459</u>	<u>4,413</u>	<u>4,527</u>	<u>4,209</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 63,679	\$ 61,481	\$ 60,955	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	12.23%	17.16%	15.90%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

N/A = Not available

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

Change from adopted budget to final budget:

Adopted budget		\$ 148,495,451
Add:		
Prior year's encumbrances		<u>80,850</u>
Original budget		148,576,301
Budget revisions:		
Grant-in-Aid		127,500
Donations		<u>6,892</u>
Final budget		<u><u>\$ 148,710,693</u></u>

Section 1318 of Real Property Tax Law Limit calculation:

2016-2017 voter-approved expenditure budget		<u><u>\$ 151,534,773</u></u>
Maximum allowed (4% of 2016-2017 budget)		<u><u>\$ 6,061,391</u></u>

General Fund fund balance subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:			
Assigned fund balance	\$ 2,383,308		
Unassigned fund balance	<u>6,001,895</u>	\$ 8,385,203	
Less:			
Appropriated fund balance	2,100,000		
Encumbrances	<u>283,308</u>	<u>2,383,308</u>	
General Fund fund balance subject to §1318 of Real Property Tax Law		<u><u>\$ 6,001,895</u></u>	
Actual percentage		<u><u>3.96%</u></u>	

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Capital Projects	\$ 1,393,821	\$ 3,011,193	\$ 2,925,455	\$ 458,899	\$ 3,384,354	\$ (373,161)	\$ -	\$ -	\$ 3,361,566	\$ 3,361,566	\$ (22,788)
2004 District-Wide Bond	9,447,300	9,447,300	9,294,652	-	9,294,652	152,648	9,447,300	-	-	9,447,300	152,648
Excel	7,600,000	7,600,000	7,538,204	-	7,538,204	61,796	-	7,598,133	-	7,598,133	59,929
Energy Performance Bond	5,232,725	11,380,941	11,039,017	-	11,039,017	341,924	5,451,226	-	5,732,725	11,183,951	144,934
2016 Bond Issuance	8,800,000	8,800,000	194,244	5,800,400	5,994,644	2,805,356	8,800,000	-	-	8,800,000	2,805,356
Totals	<u>\$ 32,473,846</u>	<u>\$ 40,239,434</u>	<u>\$ 30,991,572</u>	<u>\$ 6,259,299</u>	<u>\$ 37,250,871</u>	<u>\$ 2,988,563</u>	<u>\$ 23,698,526</u>	<u>\$ 7,598,133</u>	<u>\$ 9,094,291</u>	<u>\$ 40,390,950</u>	<u>\$ 3,140,079</u>

OTHER
SUPPLEMENTARY
INFORMATION

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

Capital assets, net		\$ 52,280,963
Deduct:		
Short-term portion of bonds payable	\$ 3,465,000	
Long-term portion of bonds payable	20,025,000	
Short-term portion of other liabilities	744,468	
Long-term portion of other liabilities	5,569,328	
Deferred inflow from issuance of bonds, net of amortization	<u>266,438</u>	<u>30,070,234</u>
Net investment in capital assets		<u>\$ 22,210,729</u>

LINDENHURST UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
TABLE OF CONTENTS

Independent Auditor's Report On Extraclassroom Activity Funds Financial Statements	58
Financial Statements:	
Cash Receipts And Disbursements:	
High School	60
Middle School	61
Elementary Schools	62
Note To Financial Statements	63



**INDEPENDENT AUDITOR'S REPORT ON EXTRACLASSROOM
ACTIVITY FUNDS FINANCIAL STATEMENTS**

To the Board of Education of the
Lindenhurst Union Free School District
Town of Babylon, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Lindenhurst Union Free School District (the "District") for the year ended June 30, 2016, and the related note to financial statement, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement.

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

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

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Lindenhurst Union Free School District for the year ended June 30, 2016 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of these financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Melville, New York
September 26, 2016

Nawrocki Smith LLP

LINDENHURST UNION FREE SCHOOL DISTRICT
EXTRACURRICULAR ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	Cash Balances July 1, 2015	Receipts	Disbursements	Cash Balances June 30, 2016
High School:				
Class of 2015	\$ 0.31	\$ -	\$ 0.31	\$ -
Class of 2016	2,843.90	43,390.71	46,234.61	-
Class of 2017	4,059.13	8,547.96	6,224.19	6,382.90
Class of 2018	2,694.52	3,265.94	1,184.03	4,776.43
Class of 2019	1,000.00	5,663.29	2,383.48	4,279.81
Class of 2020	-	2,000.00	-	2,000.00
A.A.D.D.	1,156.78	1,623.75	1,428.00	1,352.53
Art Service Club	50.78	75.07	-	125.85
Boys' Basketball	40.28	-	-	40.28
Boys' Soccer	49.57	875.30	400.00	524.87
Boys' Volleyball	702.91	7,249.71	7,230.96	721.66
Bulldog '16	10,641.07	15,903.68	22,887.17	3,657.58
Chamber Ensemble	1,027.76	1,344.43	2,312.76	59.43
Charles St. Times	286.99	140.18	241.33	185.84
Chess	4.75	-	-	4.75
Classic Film Club	-	925.15	672.76	252.39
Coffee House and Mentors	-	500.06	-	500.06
Courtyard	329.56	0.04	329.60	-
Culinary Arts Bake Club	58.57	100.01	-	158.58
Dance	727.84	11,514.97	10,392.17	1,850.64
DECA	445.98	14,397.08	13,867.55	975.51
Digital Photo	77.25	248.02	-	325.27
Engineering Club	8,691.53	2,035.25	3,350.00	7,376.78
Environmental Club	325.93	0.18	-	326.11
Fencing	-	4,749.30	4,647.84	101.46
Field Hockey	39.68	-	-	39.68
Field Trips	-	51,132.93	51,132.93	-
French Club	246.96	1,271.12	1,518.00	0.08
Gay-Straight Alliance	87.20	269.13	130.32	226.01
Girls' Basketball	0.20	-	-	0.20
Girls' Lacrosse	28.05	-	-	28.05
Girls' Soccer	1,956.23	2,446.32	4,156.33	246.22
Girls' Softball	33.72	-	-	33.72
Girls' Volleyball	38.59	975.09	1,013.00	0.68
History Club	4.71	15,271.10	15,261.18	14.63
International Club	352.87	5,135.47	5,431.47	56.87
Italian Club	67.78	3,646.37	3,022.75	691.40
JV Cheer	505.30	235.26	240.00	500.56
Key Club	1,201.33	2,931.72	4,049.75	83.30
Kickline Club	9.72	80.01	80.00	9.73
Lacrosse Club	1,784.65	1,605.73	2,342.70	1,047.68
L'Atelier	26.26	-	26.26	-
Life Skills	2,083.42	6,983.96	8,304.14	763.24
Lindy Runners Club	753.33	3,917.62	3,312.03	1,358.92
MC - J ROTC	245.79	1,948.13	1,054.08	1,139.84
Media Club	2,339.18	2,041.98	1,650.00	2,731.16
Model UN Club	-	140.01	-	140.01
National Art Honor Society	89.56	770.11	588.00	271.67
National Honor Society	913.33	21,070.90	20,420.34	1,563.89
National Thespians	19,733.37	14,833.64	9,671.35	24,895.66
Peer Mediation	917.41	15,689.94	16,471.57	135.78
Saltwater Fishing	269.54	0.16	-	269.70
Science Club	46.37	-	-	46.37
Science Research	85.17	0.03	-	85.20
Sr. High Band	1,101.19	2,521.68	2,874.41	748.46
Student Council	27,395.94	27,087.93	52,745.04	1,738.83
Student Building Fund	27,647.75	15,818.91	17,995.58	25,471.08
Swim Team	1.12	-	-	1.12
The Recruit	139.43	0.12	-	139.55
Tri-M Music Society	453.66	390.27	600.50	243.43
Varsity Badminton	405.78	2,320.36	2,207.49	518.65
Varsity Baseball	2,641.17	1,704.36	1,143.87	3,201.66
Varsity Boys Tennis	0.15	-	-	0.15
Varsity Cheer	27.21	20,878.32	20,905.00	0.53
Varsity Club	50.70	823.59	600.00	274.29
Varsity Football	8,742.39	19,665.67	16,406.00	12,002.06
Varsity Girls Tennis	-	893.17	893.00	0.17
Varsity Gymnastics	2.36	1,970.10	1,972.00	0.46
Varsity Wrestling	937.15	3,120.92	3,599.82	458.25
Virtual Enterprise	-	4,394.43	4,073.12	321.31
Youth Ski Club	1,657.94	24,930.25	22,684.00	3,904.19
	<u>\$ 140,279.07</u>	<u>\$ 403,466.89</u>	<u>\$ 422,362.79</u>	<u>\$ 121,383.17</u>

The accompanying note is an integral
part of this financial statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Cash Balances July 1, 2015	Receipts	Disbursements	Cash Balances June 30, 2016
Middle School:				
6th Grade	\$ 378.42	\$ 14,267.30	\$ 14,009.25	\$ 636.47
8th Grade	2,948.89	2,142.69	1,895.00	3,196.58
8th Grade Softball	0.04	-	0.04	-
Art Honor Society	1,240.37	8,367.99	9,084.73	523.63
Arts & Crafts Club	10.39	65.02	65.91	9.50
Boys Soccer	-	3,428.76	3,428.76	-
FACS Club	435.58	4,736.39	4,736.14	435.83
Field Trips	(0.02)	75,105.80	74,583.80	521.98
Gymnastics	240.77	2,055.22	2,171.06	124.93
Lego Club	-	810.36	130.00	680.36
Life Skills	219.75	-	-	219.75
Multicultural Club	1,002.45	0.81	646.57	356.69
Music Club	589.01	8,182.99	8,756.00	16.00
Junior Honor Society	1,325.74	10,732.26	10,270.30	1,787.70
Outdoor Club	61.95	3,690.13	2,360.00	1,392.08
Peer Tutoring Club	185.42	0.18	120.75	64.85
Planetarium	1,453.04	1.30	-	1,454.34
School Store	11,492.38	15,938.08	25,479.80	1,950.66
Special Games	348.65	1,918.80	999.30	1,268.15
Student Council	4,284.33	21,856.82	16,206.62	9,934.53
Technology Club	247.15	0.21	-	247.36
TV Studio Club	1,346.10	1.15	408.00	939.25
Yearbook	8,959.52	5,022.73	3,795.64	10,186.61
	<u>\$ 36,769.93</u>	<u>\$ 178,324.99</u>	<u>\$ 179,147.67</u>	<u>\$ 35,947.25</u>

The accompanying note is an integral
part of this financial statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
(continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Cash Balances July 1, 2015	Receipts	Disbursements	Cash Balances June 30, 2016
Elementary Schools:				
Albany Avenue	\$ 11,596.18	14,584.60	18,480.57	\$ 7,700.21
Alleghany Avenue	971.13	17,586.60	17,878.81	678.92
Daniel Street	5,386.22	27,664.47	24,169.49	8,881.20
Harding Avenue	4,869.78	11,350.33	13,290.52	2,929.59
West Gates	10,353.53	21,144.78	24,071.66	7,426.65
William Rall	6,728.17	23,101.70	20,605.47	9,224.40
	<u>\$ 39,905.01</u>	<u>\$ 115,432.48</u>	<u>\$ 118,496.52</u>	<u>\$ 36,840.97</u>

The accompanying note is an integral
part of this financial statement.

LINDENHURST UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Lindenhurst Union Free School District (the "District").

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.

LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed - Through Programs From:</u>			
New York State Department of Education			
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-15-2935	\$ 15,225
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-16-2935	31,188
ESEA, Title III, Immigrant Education	84.365	0149-16-2935	33,617
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-15-2935	9,934
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-16-2935	188,035
Perkins IV/CTEIA	84.048A	8000-16-0082	26,958
			<u>304,957</u>
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-16-0873	1,361,384
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-16-0873	83,957
			<u>1,445,341</u>
Title I, Part A Cluster:			
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-15-2935	1,870
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-16-2935	537,084
			<u>538,954</u>
Total U.S. Department of Education			<u><u>2,289,252</u></u>
<u>U.S. Department of Agriculture</u>			
<u>Direct Programs:</u>			
Surplus Food	10.550	N/A	75,470
<u>Passed - Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	99,363
National School Lunch Program	10.555	N/A	793,827
			<u>968,660</u>
Total U.S. Department of Agriculture			<u>968,660</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 3,257,912</u></u>

The accompanying notes should be read
in conjunction with this schedule.

LINDENHURST UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Lindenhurst Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance of the District.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs may have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Non-monetary assistance is reported in the Schedule at the fair market value of commodities received, which is provided by New York State.

3. Subrecipients

No amounts were provided to subrecipients.

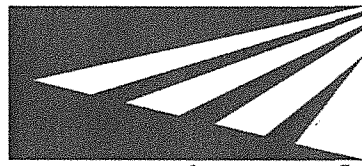
4. Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

5. Major Program Determination

The District was deemed to be a "low-risk auditee", therefore, major programs were determined based on 20% of total federal award expenditures.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of the
Lindenhurst Union Free School District
Town of Babylon, 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 Lindenhurst Union Free School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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.

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance required to be reported under *Government Auditing Standards*, which is described in section B of the accompanying schedule of findings and questioned costs as item 16-01.

District's Response to Finding

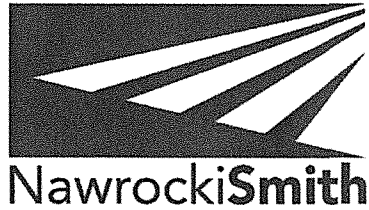
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Melville, New York
September 26, 2016





CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of the
Lindenhurst Union Free School District
Town of Babylon, New York:

Report on Compliance for Each Major Federal Program

We have audited the Lindenhurst Union Free School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

NawrockiSmith

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Melville, New York
September 26, 2016



LINDENHURST UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

A. Summary Of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. One instance of noncompliance was identified during the audit and is presented in Section B below.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 2 CFR 200.516 (a) of the Uniform Guidance, were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<u>U.S. Department of Education</u>
84.027A	IDEA, Part B, Section 611, Special Education Grants to States
84.173A	IDEA, Part B, Section 619, Special Education Preschool Grants

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

16-01 The submission of the Annual Financial Report on Form ST-3 to the New York State Education Department did not occur until subsequent to the filing deadline.

Condition: The District did not fulfill its annual reporting requirement to the New York State Education Department in accordance with the requisite due date.

Criteria: The New York State Education Department required that the District submit its Annual Financial Report on Form ST-3 by September 1, 2016.

Effect: The District did not fulfill its New York State Education Department reporting requirement as of the required submission date.

Cause: Information necessary to complete the submission was not readily available, therefore, the Annual Financial Report on Form ST-3 was not prepared on a timely basis.

Recommendation: The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements.

C. Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

LINDENHURST UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Findings - Financial Statement Audit

15-01 Recommendation - The District should implement procedures to ensure sufficient time to comply with New York State Education Department reporting requirements regarding the submission of the annual financial report on Form ST-3.

Status - We noted this recommendation was not implemented.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

LINDENHURST UNION FREE SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

This section presents our findings and recommendations resulting from the audit of the financial statements of the Lindenhurst Union Free School District as of and for the year ended June 30, 2016, as well as the status of recommendations made in connection with the prior audits of the financial statements.

CURRENT YEAR RECOMMENDATION:

1. Extraclassroom Activity Funds – inactive clubs

During our review of the Extraclassroom Activity Funds, we noted that there were numerous clubs with no activity during the year. Inactive clubs with small balances should either be closed or merged with other, larger activities.

We recommend that the District review and evaluate any inactive clubs and merge the funds with other appropriate activities. In this manner, internal control over Extraclassroom Activity Funds may be enhanced.

STATUS OF PRIOR YEAR RECOMMENDATION:

1. Recommendation - We recommended that the District adhere to its policy that requires a contract to be signed and approved before monies are spent under the 611 Special Education grant.

Status - We noted that this recommendation was implemented.

2. Recommendation - We recommended that the District adhere to its policy that requires all organizations who utilize the District's facilities to provide a certificate of insurance in accordance with District policy.

Status - We noted that this recommendation is in the process of being implemented.

3. Recommendation - We recommended that the Purchasing Department continue its efforts to maintain a relevant vendor database by inactivating the vendors which have not been utilized within two years.

Status - We noted that this recommendation is in the process of being implemented.

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF BOND COUNCEL OPINION FOR THE TAN

September 19, 2017

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Lindenhurst Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York in connection with the authorization, sale and issuance of the \$21,000,000 Tax Anticipation Note for 2017-2018 Taxes (the "Note"), dated and delivered on the date hereof.

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

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

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations imposed under Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

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

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

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

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

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

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences with respect to the Note or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of the interest on the Note, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Note, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

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

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

“Issuer” shall mean the Lindenhurst Union Free School District, in the County of Suffolk, a school district of the State of New York.

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

“Purchaser” shall mean the financial institution(s) referred to in the Certificate of Determination, executed by the President of the Board of Education as of the date of issuance of the Notes.

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

“Securities” shall mean the Issuer’s \$21,000,000 Tax Anticipation Notes for 2017-2018 Taxes dated September 19, 2017, maturing June 27, 2018, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York, 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

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

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

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

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

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of September 19, 2017.

By _____
President of the Board of Education and
Chief Fiscal Officer