

STATEMENT

OF

ANNUAL FINANCIAL AND OPERATING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

LINDENHURST UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

DATED: NOVEMBER 30, 2018



**LINDENHURST UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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BOARD OF EDUCATION

Donna Hochman, President
Linda Aniello, Vice President

Mary Ellen Cunningham
Michael DiGiuseppe
Kevin Garbe
Ed Langone
Josephine Martino
Valerie McKenna

Daniel E. Giordano, Superintendent of Schools
Dr. Grace P. Chan, Assistant Superintendent for Business
Zachary Nyberg CPA, District Treasurer
Donna Milone, District Clerk

* * *

MUNICIPAL ADVISOR



Municipal Finance Advisory Service

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**STATEMENT OF ANNUAL FINANCIAL
AND OPERATING INFORMATION**

**LINDENHURST UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

The material set forth herein, including the cover page, has been prepared by the Lindenhurst Union Free School District, Suffolk County, New York (the "District", the "County", and the "State", respectively) in connection with its obligation to prepare and submit such material in accordance with its Continuing Disclosure Undertaking and the Official Statements having been prepared in connection with the sale and issuance of the following bond issues.

\$8,217,000 School District Serial Bonds - 2001
\$3,350,000 School District Refunding Serial Bonds - 2007
\$5,257,117 School District Serial Bonds - 2010
\$4,160,000 School District Refunding Serial Bonds ó 2010
\$6,120,000 School District Refunding Serial Bonds ó 2012
\$4,885,000 School District Refunding Serial Bonds ó 2014 Series A
\$535,000 School District Refunding Serial Bonds ó 2014 Series B (Federally Taxable)
\$8,800,000 School District Serial Bonds - 2015

THE DISTRICT

Description

The District encompasses approximately six (6) square miles on the south shore of Suffolk County (the öCountyö) within the Town of Babylon (the öTownö) and is about 37 miles east of New York City. It includes all the Village of Lindenhurst (the öVillageö) 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 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 John F. Kennedy International Airport, LaGuardia International Airport and the Long Island MacArthur Airport.

Gas and electricity is supplied throughout the District by PSEG Long Island 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 öBoardö). 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>
2013-2014	6,296
2014-2015	6,170
2015-2016	6,053
2016-2017	5,951
2017-2018	5,853

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>
2018-2019	5,709
2019-2020	5,653
2020-2021	5,563
2021-2022	5,495
2022-2023	5,374
2023-2024	5,316

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	N/A	1953	40
Daniel School	K-5	1958	715
Harding Avenue School	K-5	1960	401
Kellum School ^b	NA	1958	N/A
Margaret McKenna Administration Building ^c	NA	1965	N/A
Rall School	K-5	1953	644
West Gates School	K-5	1961	401
Junior High School	6-8	1930	1,131
Senior High School	9-12	1961	2,505

- a. Occupied by the Lindenhurst Academy and Superkids Christian Daycare, Inc.
 b. Leased to the Just Kids Organization ES BOCES Book Depository and Scope.
 c. Occupied by 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 ^a	67
Association of School Administrators	06/30/2021	37
Registered Nurses	06/30/2014 ^a	12
Aides	06/30/2016 ^a	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 Village of Lindenhurst. The following table sets forth population statistics for the County, Town of Babylon and the Village of Lindenhurst.

<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 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>2016^a</u>
Village of Lindenhurst	\$16,116	\$22,150	\$32,401	\$33,316
Town of Babylon	16,726	22,844	30,647	32,811
County of Suffolk	18,481	26,577	35,411	38,779
State of New York	16,501	23,389	30,791	34,212
	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
Village of Lindenhurst	\$46,615	\$61,667	\$83,964	\$83,594
Town of Babylon	47,074	60,064	78,805	81,522
County of Suffolk	49,128	65,288	84,235	90,128
State of New York	32,965	43,393	55,217	60,741

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimate (2012-2016)

Selected Listing of Larger Employers in the District
(As of 2017)

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Lindenhurst Union Free School District	Education	1,200
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
Marksmen 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 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>
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	4.8	4.4	4.6
2018 (9 months)	4.5	4.3	4.4

Source: Department of Labor, State of New York

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INDEBTEDNESS OF THE DISTRICT

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 November 30, 2018)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Babylon (2017-2018)	\$43,298,882	1.12%	\$3,865,971,607
Debt Limit - 10% of Average Full Valuation			\$386,597,161
Inclusions:			
Outstanding Bonds			\$13,310,000
Bond Anticipation Notes			<u>12,000,000</u>
Total Indebtedness			<u>25,310,000</u>
Exclusions (Estimated Building Aid) ^a			<u>13,869,880</u>
Total Net Indebtedness			<u>11,440,120</u>
Net Debt Contracting Margin			<u><u>\$375,157,041</u></u>
Per Cent of Debt Contracting Margin Exhausted			2.96%

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

Trend of Outstanding Indebtedness As at June 30:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$20,415,000	\$17,620,000	\$23,490,000	\$20,025,000	\$16,370,000
BANs	-	-	-	-	12,000,000
Other	<u>7,746,966</u>	<u>7,039,515</u>	<u>6,313,796</u>	<u>5,569,327</u>	<u>4,805,614</u>
Total	<u><u>\$28,161,966</u></u>	<u><u>\$24,659,515</u></u>	<u><u>\$29,803,796</u></u>	<u><u>\$25,594,327</u></u>	<u><u>\$33,175,614</u></u>

Details of Short-Term Indebtedness Outstanding

As of the date of this Statement, the District has bond anticipation notes outstanding in the amount of \$12,000,000 which mature on June 26, 2019. The District has tax anticipation notes outstanding in the amount of \$23,000,000 that mature on June 26, 2019 and are expected to be paid in full with the receipt of the District's tax levy.

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$16,370,000</u>	<u>\$2,214,850</u>	<u>\$18,584,850</u>

a. Includes payments made to date.

Debt Service Requirements – Energy Performance Contracts

The District has entered into various lease purchase financings to provide funding for certain Energy Performance Contracts. The remaining principal and interest payments until maturity are set forth below.

Fiscal Year Ending <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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 ^a	<u>\$4,805,614</u>	<u>\$511,483</u>	<u>\$5,317,097</u>

Sources: Audited Financial Statements of the District.

Revenue and Tax Anticipation Notes

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

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

Fiscal Year Ending <u>June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2015	\$20,000,000	TAN	9/03/2014	6/19/2015
2016	19,500,000	TAN	9/09/2015	6/20/2016
2017	19,000,000	TAN	9/29/2016	6/22/2017
2018	21,000,000	TAN	9/19/2017	6/27/2018
2019	23,000,000	TAN	9/12/2018	6/26/2019

Authorized and Unissued Debt

On November 1, 2017, following the approval of a bond proposition by a majority of the qualified voters of the District voting thereon at the Special District Meeting held on October 17, 2017, authorizing the construction of improvements and alterations to various District buildings at an estimated maximum cash of \$27,087,500. The District issued bond anticipation notes in the amount of \$12,000,000 in June 2018 to provide original financing for the project. The issuance of the balance of the authorization is expected to be financed in June 2019

In November of 2017, the Board of Education of the District, acting on behalf of the Lindenhurst Library, submitted a library bond proposal to the voters of the District in the amount of \$14,500,000. The bond proposal was defeated. At this time there are no plans for another vote in the foreseeable future.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/21/18	1.80	\$43,398,429	\$22,859,541
Babylon Town	11/14/17	16.96	26,232,032	25,268,704
Lindenhurst Village	07/13/17	100.00	8,985,000	7,727,000
West Babylon Fire District	12/31/16	100.00	0	0
North Lindenhurst Fire District	12/31/16	100.00	0	0
Lindenhurst Fire District	12/31/16	100.00	0	0
Totals			\$78,615,461	\$55,855,245

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 November 30, 2018)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$13,310,000	\$317	0.344
Net Direct Debt	11,440,120	272	0.296
Total Direct & Applicable Total Overlapping Debt	91,925,461	2,186	2.378
Net Direct & Applicable Net Overlapping Debt	67,295,365	1,600	1.741

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

b. The full valuation of taxable real property in the District for 2017-18 is \$3,865,971,607.

FINANCES OF THE DISTRICT

Independent Audit

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

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein). On May 15, 2018, a majority of the voters of the District approved the District's budget for the 2018-2019 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2017-2018 and 2018-2019 may be found in Appendix A, herein.

Revenues

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

Real Property Taxes

See "*Tax Information*" herein.

State Aid

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

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

Fiscal Year	Ending June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2014		\$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		150,417,333	53,066,583	35.28
2018		154,314,093	55,182,924	35.76
2019 (Budgeted)		160,671,302	54,349,018	33.83

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

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

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

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

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

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

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

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is \$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. 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 through 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 years' 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 (öSCOö) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (öARCsö). ERS followed suit and modified its existing ERS SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

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

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

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

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

Fiscal Year Ended <u>June 30:</u>	<u>ERS</u>	<u>TRS</u>
2019 (Budget)	2,000,000	7,207,000
2018	1,973,096	6,252,044
2017	1,779,917	7,324,010
2016	2,180,828	7,790,837
2015	2,201,930	10,549,461
2014	2,479,052	9,689,942

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. 75 (GASB 75) of the Governmental Accounting Standards Board (GASB), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (OPEB). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

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

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 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 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

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

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

Total OPEB Liability at June 30, 2017	<u>\$231,405,789</u>
Charges for the Year:	
Service Cost	7,968,727
Interest	7,088,639
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	50,008
Benefit Payments	<u>(6,219,123)</u>
Net Changes	<u>\$8,888,251</u>
Total OPEB Liability at June 30, 2018	<u><u>\$240,294,040</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, 2017 and the two preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$15,232,359	36.20	\$88,850,230
June 30, 2016	17,038,444	30.90	79,136,061
June 30, 2015	16,923,360	21.80	67,366,080

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

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

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of 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 2014 through 2018, inclusive and for the amounts budgeted for the 2019 fiscal year.

Fiscal Year Ending <u>June 30:</u>	Total <u>Revenue^a</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
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	150,417,333	94,990,968	63.15
2018	154,314,093	96,364,125	62.45
2019 (Budgeted)	160,671,302	99,763,931	62.09

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

Approximately 12% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District received full reimbursement of such exempt taxes from the State in January 2018. Approximately 12% of the District's 2018-2019 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2019. (See "State Aid" herein).

Rebate Program

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

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

Valuations, Rates, Levies and Collections

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

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per \$1,000	
				Assessed Valuation	Tax Levy
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	1.19	3,553,659,076	2,168.22	93,859,388
2017	43,213,072	1.18	3,662,124,746	2,189.13	94,599,119
2018	43,298,882	1.12	3,865,971,607	2,222.39	96,227,213

Source: Suffolk County Assessor’s Office.

Selected Listing of Large Taxable Properties in the District
2017-2018 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 Distrubution 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	<u>85,400</u>
	Total	<u><u>\$1,355,327</u></u>

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.

RATING

Moody’s Investors Service Inc. has assigned a rating of *“Aa3”* to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

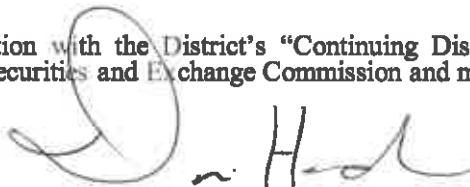
Munistat Services, Inc., Port Jefferson Station, New York has assisted the District as municipal advisor in certain matters with respect to the preparation of this Statement.

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.

So far as any statements made in this Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Statement is submitted only in connection with the District's "Continuing Disclosure Undertaking" pursuant to Rule 15c2-12 as promulgated by the Securities and Exchange Commission and may not be reproduced or used in whole or in part for any other purpose.



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

November 30, 2018

APPENDIX A

FINANCIAL INFORMATION

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Real Property Taxes	\$ 75,681,556	\$ 77,526,861	\$ 79,089,941	\$ 80,201,708	\$ 81,696,743
Other Real Property Tax Items	15,066,669	14,578,213	14,902,887	14,789,260	14,667,382
Charges for Services	893,362	912,778	906,749	503,786	416,933
Use of Money and Property	907,689	888,915	887,481	895,440	1,048,425
Sale of Property & Compensation for Loss	48,911	14,081	73,404	91,830	255,390
Miscellaneous	306,750	756,739	606,397	705,782	967,029
State Sources	46,931,102	48,297,499	51,415,264	53,066,583	55,182,924
Federal Sources	139,173	113,551	123,404	162,944	79,267
Total Revenues	<u>139,975,212</u>	<u>143,088,637</u>	<u>148,005,527</u>	<u>150,417,333</u>	<u>154,314,093</u>
Expenditures:					
General Support	14,838,228	14,593,412	14,438,722	15,000,966	15,294,260
Instruction	78568843	80,116,926	82,646,620	85,178,201	86,720,138
Pupil Transportation	7,307,940	7,152,682	7,531,586	7,967,393	7,755,756
Community Services	93,584	88,809	91,147	88,480	36,712
Employee Benefits	36,261,678	37,108,465	34,694,191	35,698,188	36,397,620
Debt Service	4,592,790	4,424,986	4,439,917	5,289,991	5,278,318
Total Expenditures	<u>141,663,063</u>	<u>143,485,280</u>	<u>143,842,183</u>	<u>149,223,219</u>	<u>151,482,804</u>
Excess (Deficit) of Revenues Over Expenditures	(1,687,851)	(396,643)	4,163,344	1,194,114	2,831,289
Other Financing Sources (Uses)					
Interfund Transfers In	126,143	108,108	44,704		
Interfund Transfers Out	(506,260)	(661,887)	(625,997)	(580,736)	(798,440)
Total Other Financing Sources (Uses)	<u>(380,117)</u>	<u>(553,779)</u>	<u>(581,293)</u>	<u>(580,736)</u>	<u>(798,440)</u>
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(2,067,968)	(950,422)	3,582,051	613,378	2,032,849
Fund Balance - Beg. of Year	20,409,754	18,341,786	17,391,364	20,973,013	21,586,391
Adjustments			(402)		
Fund Balance - End of Year	<u>\$ 18,341,786</u>	<u>\$ 17,391,364</u>	<u>\$ 20,973,013</u>	<u>\$ 21,586,391</u>	<u>\$ 23,619,240</u>

Source: Audited Financial Statements (2014-2018)

NOTE: This table NOT audited

**Comparative Balance Sheet
General**

	<u>Fiscal Year Ending June 30:</u>	
	<u>2017</u>	<u>2018</u>
Assets:		
Unrestricted Cash	\$ 11,149,285	\$ 10,464,952
Restricted Cash	13,261,532	16,118,770
State and Federal Aid Receivable	4,081,696	4,681,435
Due From Other Funds	1,871,465	1,987,722
Due From Fiduciary Funds	4,175,357	
Due From Other Governments		
Other Receivables, Net	<u>266,984</u>	<u>327,734</u>
Total Assets	<u>\$ 34,806,319</u>	<u>\$ 33,580,613</u>
Liabilities & Deferred Revenue:		
Accounts Payable	\$ 1,773,730	\$ 1,729,164
Accrued Liabilities	297,049	722,086
Compensated Absences	281,336	287,071
Due to Retirement Systems	8,281,103	6,875,436
Due to Other Governments	39	72
Due to Other Funds	2,584,474	326,044
Deferred Revenue	<u>2,197</u>	<u>21,500</u>
Total Liabilities & Deferred Revenue	<u>\$ 13,219,928</u>	<u>\$ 9,961,373</u>
Fund Balance:		
Restricted	\$ 13,261,532	\$ 16,118,770
Assigned	2,085,876	1,073,618
Unassigned	<u>6,238,983</u>	<u>6,426,852</u>
Total Fund Balance	<u>\$ 21,586,391</u>	<u>\$ 23,619,240</u>
Total Liabilities and Fund Balance	<u>\$ 34,806,319</u>	<u>\$ 33,580,613</u>

Source: Audited Financial Statements

NOTE: This table NOT audited

Budget Summaries

	<u>2017-2018</u>	<u>2018-2019</u>
Real Property Taxes	\$ 96,227,213	\$ 99,763,931
State Sources	55,641,999	54,349,018
Miscellaneous	2,205,354	2,245,353
Other Reserves		3,313,000
Appropriated Fund Balance	<u>1,900,000</u>	<u>1,000,000</u>
Total Revenues	\$ <u>155,974,566</u>	\$ <u>160,671,302</u>
Expenditures:		
General Support	\$ 15,685,153	\$ 15,579,643
Instruction	89,099,428	89,643,426
Pupil Transportation	7,052,799	8,048,476
Community Services	105,942	105,442
Employee Benefits	38,026,359	40,899,430
Debt Service	5,219,885	5,369,885
Interfund Transfers	<u>785,000</u>	<u>1,025,000</u>
Total Expenditures	\$ <u>155,974,566</u>	\$ <u>160,671,302</u>

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

The 2018-19 budget was approved by the voters of the District on May 15, 2018

Source: Adopted Budgets of the District

LINDENHURST UNION FREE SCHOOL DISTRICT

APPENDIX B

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

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