PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2019

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statues, 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.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$16,000,000* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES
(the "Notes")

Date of Issue: October 24, 2019 **Maturity Date: June 25, 2020**

The Notes are general obligations of the Central Islip 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.

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

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

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

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

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on October 15, 2019 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about October 24, 2019.

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

October , 2019

*Preliminary, subject to change.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

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BOARD OF EDUCATION

Norman Wagner, President
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Kevin Miller, Assistant Superintendent for Business
Claude Corbett, Senior Accountant
Denise Ridgeway, District Clerk
Sandra Towsend, District Treasurer

School District Attorney

Kevin Seaman, Esq.
Stony Brook, New York

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

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

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OFFICIAL STATEMENT

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

Relating To

$16,000,000* TAX ANTICIPATION NOTES FOR 2019-2020 TAXES
(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Central Islip School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $16,000,000* Tax Anticipation Notes for 2019-2020 Taxes (the "Notes").

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

THE NOTES

Description

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

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Kevin Miller, Assistant Superintendent for Business, Central Islip Union Free School District, 50 Wheeler Road, Central Islip, NY 11722, Phone (631) 348-5209, Fax (631) 348-5110 and email: kmiller@centralislip.k12.ny.us.

Optional Redemption

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

Description of Book-entry System

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

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

*Preliminary, subject to change.

wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 2019-2020 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2019-2020 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2019-2020 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

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

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

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

REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

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

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

THE DISTRICT

Description

The District lies wholly within the Town of Islip, Suffolk County, New York. It was established as a common school district in May 1858, and as a Union Free School District on March 18, 1865. It has an area of approximately 5,597 acres. The District is located in western Suffolk County and shares the economy of this area. Major industries are in fields of aerospace, electronics, consumer goods and other light manufacturing fields. The region supports large retail sales and a host of service enterprises. The District is served by two weekly newspapers, several churches and a public library. The Central Islip station of the Long Island Railroad provides easy access to New York City, and the rest of Long Island. Water is supplied to most of the District by the Suffolk County Water Authority, electric power by PSEG Long Island, gas by the Brooklyn Union Gas Company and the telephone service by AT&T and Verizon. Police protection is provided by the Suffolk County Police and fire protection by the Central Islip Fire District. Steady employment is provided by numerous industrial establishments located in industrial parks within the district. The District has a large area zoned for industry on which a growing number of industrial parks are located and a major grocery chain maintains a large warehouse facility.

The District has several large shopping centers and multiple hotels serving the immediate area and there are small neighboring shopping centers. The District is minutes away from the Town of Islip's MacArthur Airport, which has become important to the economic life of Suffolk County. Central Islip is a short distance by car from two of the area's finest public parks, Heckscher State Park and Sunken Meadow State Park. The County and Federal Government has established its Court Complex in Central Islip. Arterial approaches to the District are excellent, since it lies midway between the Southern State Parkway and the Long Island Expressway.

District Organization

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

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

Enrollment History

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

School Year	School Enrollment
2015-2016	7,254
2016-2017	7,275
2017-2018	7,666
2018-2019	7,591
2019-2020	7,575

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2020-2021	7,621
2021-2022	7,609

Source: District Officials.

District Facilities

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

Name of School	Type	Date of Construction	Date of Last Addition	Capacity
Central Islip High School	High School	1970	2002	2,350
Ralph C. Reed School	Jr. High School	1950	2002	1,200
Mulligan School	Elementary	1962	2002	1,000
Andrew T. Morrow School	Elementary	1968	1998	1,144
M.L. Mulvey School	Elementary	1957	1998	1,032
Francis J. O'Neill School	Elementary	1964	1998	956
Anthony Alfano School	Elementary	1929	1963	684
Cordello Avenue School	Elementary	1957	1962	628

Employees

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

Name of Union	Expiration Date of Contract	Approx. No. of Members
Central Islip Teachers Association	06/30/2027	565
Central Islip Principals Association	06/30/2022	31
Central Islip Chapter of CSEA	06/30/2023	401
Central Islip Psychologists Association	06/30/2023	10

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

Year	District	Town of Islip	Suffolk County
2007	35,408	336,927	1,511,732
2008	36,845	336,706	1,513,435
2009	36,852	337,565	1,518,475
2010	36,852	335,543	1,493,350
2013	40,135	335,916	1,495,803
2017	36,405	335,302	1,497,595

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2017[a]
District	-	-	$22,743	$25,474
Town of Islip	$16,778	$23,699	30,388	34,222
County of Suffolk	18,481	26,577	35,411	40,277
State of New York	16,501	23,389	30,791	35,752

	Median Household Income			
	1990	2000	2010	2017[a]
District	-	-	$70,666	$69,216
Town of Islip	$50,212	$65,359	81,028	90,278
County of Suffolk	49,128	65,288	84,235	92,838
State of New York	32,965	43,393	55,217	62,765

Source: United States Bureau of the Census
a. Based on American Community Survey 5-Year Estimate (2013-2017)

Selected Listing of Larger Employers in the Town of Islip[a]
(As of 2018)

Name	Type of Business	Estimated Number of Employees
Good Samaritan Hospital	Hospital	3,500
NBTY	Vitamins, Minerals & Nutrients	2,500
Southside Hospital	Hospital	2,500
Computer Associates International	Software	2,450
Broadridge Financial Services	Payroll/ Data Services	1,700
Positive Promotions	Manufacturer	600
Creative Bath	Manufacturer	550
Wenner Bread Products	Food Products	550
Dayton T. Brown, Inc.	Test Lab & Metal Products	500
Data Device	Electronic Components	500
Invagen Pharmaceuticals	Manufacturer	460
J. Kings Food Services	Food Products	350
Allstate	Insurance	360
David Peyser Sportswear	Manufacturer/ Distributor	350
Blackman Plumbing Supplies	Distributor	340

Source: Town of Islip
a. Not necessarily representative of the District.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Islip. The information set forth below with respect to such Town, 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.

Annual Averages:	Town of Islip (%)	Suffolk County (%)	New York State (%)
2014	5.0	5.3	6.4
2015	4.8	4.8	5.3
2016	4.4	4.3	4.8
2017	4.5	4.5	4.7
2018	3.8	3.9	4.1
2019 (7 Month Average)	3.5	3.6	4.1

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

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

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

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

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

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

Statutory Procedure

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

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate 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 October 8, 2019)

In Town of Islip:	Assessed Valuation	State Equalization Rate	Full Valuation
Islip (2018-2019)[a]	$340,405,950	11.35%	$2,999,171,366
Debt Limit - 10% of Average Full Valuation			$299,917,137
Inclusions:[b]			
Outstanding Bonds			$34,230,000
Bond Anticipation Notes			0
Total Indebtedness			$34,230,000
Exclusions (Estimated Building Aid)[c]			27,229,067
Total Net Indebtedness			7,000,933
Net Debt Contracting Margin			$292,916,203

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

Details of Short-Term Indebtedness Outstanding

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

Trend of Outstanding Indebtedness

As of June 30:

	2015	2016	2017	2018	2019
Bonds	$37,010,000	$33,325,000	$29,505,000	$25,570,000	$39,465,000
BANs	0	0	17,000,000	17,000,000	0
Total	$37,010,000	$33,325,000	$46,505,000	$42,570,000	$39,465,000

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$5,235,000	$1,576,915	$6,811,915
2021	5,510,000	1,089,050	6,599,050
2022	5,105,000	874,125	5,979,125
2023	5,240,000	673,775	5,913,775
2024	2,100,000	538,650	2,638,650
2025	2,125,000	471,075	2,596,075
2026	2,125,000	403,125	2,528,125
2027	2,125,000	335,175	2,460,175
2028	2,125,000	267,225	2,392,225
2029	1,775,000	198,000	1,973,000
2030	1,200,000	162,000	1,362,000
2031	1,200,000	126,000	1,326,000
2032	1,200,000	90,000	1,290,000
2033	1,200,000	54,000	1,254,000
2034	1,200,000	18,000	1,218,000
Totals	$39,465,000	$6,877,115	$46,342,115

a. Does not include payments made to date.

Debt Service Requirements – Energy Performance Contract[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$ 824,096	$ 202,554	$1,026,650
2021	849,462	177,188	1,026,650
2022-2026	4,655,999	477,251	5,133,250
2027	505,603	7,723	513,326
Totals	$6,835,160	$864,716	$7,699,876

a. Does not include payments made to date.

Tax Anticipation Notes

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

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

Fiscal Year Ending June 30:	Amount	Issue	Maturity
2015	$ 4,000,000	12/04/2014	06/25/2015
2016	17,000,000	11/19/2015	06/27/2016
2017	16,000,000	11/03/2016	06/27/2017
2018	17,500,000	11/07/2017	06/27/2018
2019	18,000,000	11/01/2018	06/27/2019

Authorized and Unissued Debt

As of the date of this Official Statement, the District has no authorized and unissued debt.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	05/31/2019	1.46	$29,769,282	$18,698,008
Town of Islip	04/18/2019	8.86	15,124,020	13,935,451
Village of Islandia	09/01/2019	50.00	602,500	602,500
Fire Districts (Est.)	12/31/2017	100.00	0	0
Totals			$45,495,802	$33,235,959

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 October 8, 2019)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$34,230,000	$ 940	1.14
Net Direct Debt	7,000,933	192	0.23
Total Direct & Applicable Total Overlapping Debt	79,725,802	2,190	2.66
Net Direct & Applicable Net Overlapping Debt	40,236,893	1,105	1.34

a. The current estimated population of the District is 36,405.
b. The full valuation of taxable real property in the District for 2018-19 is $2,999,171,366.

FINANCES OF THE DISTRICT

Independent Audit

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

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

On May 21, 2019, a majority of the voters of the District approved the District's budget for the 2019-2020 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2018-2019 and 2019-2020 may be found in Appendix A, herein.

Revenues

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

Real Property Taxes

See *"Tax Information"* herein.

State Aid

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

The following table sets forth the amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2014 through 2018, inclusive and the amounts budgeted for the 2019 and 2020 fiscal years.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2014	$186,265,298	$ 90,927,299	48.82
2015	182,950,156	88,530,118	48.39
2016	195,435,195	98,868,667	50.59
2017	197,775,881	100,203,934	50.67
2018	204,641,878	105,708,138	51.66
2019 (Budgeted)[a]	210,833,025	110,207,091	52.27
2020 (Budgeted)[a]	216,560,271	114,431,013	52.84

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

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

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

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

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

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

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's allocation of funds is $9,451,402.

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: 13.3%, Environmental Score: 55.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on October 12, 2018. The purpose of the audit was to determine whether claims were adequately supported and properly audited before payment. The complete report may be found on the State Comptroller's official website.

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

Employee Pension System

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ending June 30:	TRS	ERS
2015	$13,185,891	$4,690,236
2016	10,079,951	4,629,915
2017	9,383,918	3,991,824
2018	8,145,115	3,767,611
2019	9,050,609	3,797,654
2020 (Budgeted)	7,678,502	3,196,361

Source: District Officials.

Other Post-Employment Benefits

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

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

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

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

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

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

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

Changes in the Total OPEB Liability	Fiscal Year Ending June 30, 2018:
Balance as of June 30, 2017	$270,156,444
Changes for the year:	
Service Cost	8,507,037
Interest	9,867,545
Differences between actual and expected experience	(13,147,177)
Benefit payments	(6,067,492)
Total Changes	($840,087)
Total OPEB liability as of June 30, 2018	$269,316,357

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 Islip. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation 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 2019, inclusive and for the amounts budgeted for the 2019 and 2020 fiscal years.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2014	$186,265,298	$78,114,011	41.94
2015	182,950,156	78,402,499	42.85
2016	195,435,195	78,667,810	40.25
2017	197,775,881	79,708,163	40.30
2018	204,641,878	80,847,400	39.51
2019 (Budgeted)[a]	210,833,025	92,025,934	43.65
2020 (Budgeted)[a]	216,560,271	93,529,258	43.19

Source: Audited Financial Statements of the District and Adopted Budgets of the District.
a. Budgeted estimates for total revenues include appropriations of fund balance. Budgeted estimates for real property taxes include STAR.

Tax Collection Procedure

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

The Town Tax Receiver distribute the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

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

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

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

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

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

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

Approximately 48% of the District's 2018-2019 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 48% of the District's 2019-2020 school tax levy exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2020. (See *"State Aid"* herein).

Valuations, Rates and Levies

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

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation (Homestead)	Tax Levy
2015	$347,611,242	13.20	$2,633,418,500	$209.97	$87,944,910
2016	343,393,086	12.90	2,661,961,907	212.20	88,742,528
2017	342,313,182	12.70	2,695,379,386	214.23	89,705,712
2018	338,969,553	12.12	2,796,778,490	214.49	90,496,637
2019	340,405,950	11.35	2,999,171,366	216.70	92,028,056

Source: Town of Brookhaven Tax Rate Sheets.

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

Name	Type	Assessed Valuation
New York State	Hospital & Parkland	$10,983,704
Island Headquarters	Office Building	8,755,000
Islandia SC I LL	Shopping Center	8,249,700
Hawthorne Court	Apartments	4,013,000
LIPA	Utility	3,301,462
Matrix Crossroad	Office Building	2,115,100
Roman Catholic	Church	2,013,400
Target Corporation	Commercial	1,700,400
Islip CSC LLC	Warehouse & Distribution Facility	1,575,000
Home Depot USA Inc.	Commercial	1,549,600
Keyspan Gas East Corporation	Utility	1,453,328
2-32C Wheeler Road Inc.	Shopping Center	1,201,200
Central Islip Hospital	Hospital	1,167,000
Vanderbilt Plaza	Commercial	1,030,000
LILCO	Utility	940,395
	Total[a]	$50,048,289

a. Represents 14.70% of the Assessed Valuation of the District for 2018-2019.
Source: Town Assessment Roll.

Tax Certiorari Claims

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

LITIGATION

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

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

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

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

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

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

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

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

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

CYBERSECURITY

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

TAX MATTERS

Opinion of Bond Counsel

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

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

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

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Note Premium

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

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

Compliance History

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

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2014	11/24/2014	11/06/2014
2015	12/09/2015	11/03/2015
2016	12/02/2016	11/02/2016
2017	11/06/2017	10/20/2017
2018	11/09/2018	11/06/2018

RATINGS

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, has assigned a rating of "A1" to the Bonds. This 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. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Kevin Miller, Assistant Superintendent for Business, Central Islip Union Free School District, 50 Wheeler Road, Central Islip, NY 11722, Phone (631) 348-5209, Fax (631) 348-5110 and email: kmiller@centralislip.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: www.munistat.com.

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 NORMAN WAGNER
President of the Board of Education
Central Islip Union Free School District
Central Islip, New York

October , 2019

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balance
General Fund

	2014	2015	2016	2017	2018
Revenues:					
Real Property Taxes	$ 78,114,011	$ 78,402,499	$ 78,667,810	$ 79,708,163	$ 80,847,400
Other Tax Items - Including STAR Reimbursement	13,052,318	12,827,597	13,991,939	14,085,871	13,862,763
Charges for Services	1,750,921	826,895	941,118	1,084,984	652,931
Use of Money and Property	426,050	304,557	296,437	242,587	512,463
Sale of Property & Compensation for Loss	799,184	824,652	947,367	909,533	1,198,780
Miscellaneous	745,545	868,545	1,285,895	1,054,724	1,160,465
Interfund Revenues	61,046	19,157	14,108	13,671	50,861
State Sources	90,927,299	88,530,118	98,868,667	100,203,934	105,708,138
Medicaid Reimbursement	388,924	346,136	421,854	472,414	648,077
Total Revenues	186,265,298	182,950,156	195,435,195	197,775,881	204,641,878
Expenditures:					
General Support	21,330,462	21,843,078	21,883,145	22,904,345	22,368,408
Instruction	96,566,295	102,665,166	105,551,625	110,174,620	110,522,023
Pupil Transportation	9,570,696	10,364,706	10,380,320	10,694,256	11,765,714
Employee Benefits	48,759,859	52,053,368	51,756,505	52,320,036	54,398,665
Debt Service	6,097,597	5,600,675	6,411,851	6,309,275	6,686,138
Total Expenditures	182,324,909	192,526,993	195,983,446	202,402,532	205,740,948
Excess (Deficiency) of Revenues Over Expenditures	3,940,389	(9,576,837)	(548,251)	(4,626,651)	(1,099,070)
Other Financing Sources and Uses					
Operating Transfers In					
Operating Transfers (Out)	(1,145,947)	(5,451,426)	(1,549,652)	(308,787)	(280,012)
Total Other Sources (Uses)	(1,145,947)	(5,451,426)	(1,549,652)	(308,787)	(280,012)
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other (Uses)	2,794,442	(15,028,263)	(2,097,903)	(4,935,438)	(1,379,082)
Fund Balances - Beginning of Year	50,554,350	51,244,186	36,215,923	34,118,020	29,182,582
Prior Period Adjustment	(2,104,606)	0	0	0	0
Fund Equity - End of Year	$ 51,244,186	$ 36,215,923	$ 34,118,020	$ 29,182,582	$ 27,803,500

NOTE: This schedule NOT audited
Source: Audited Annual Financial Reports

Balance Sheet - General Fund

	June 30, 2016	June 30, 2017	June 30, 2018
ASSETS:			
Cash			
Unrestricted	$ 23,758,474	$ 26,510,366	$ 29,935,003
Restricted	22,832,727	19,735,360	19,351,936
Receivables			
State and Federal Aid	4,205,515	3,403,091	4,295,100
Due from Other Governments	5,280,100	5,631,860	3,254,450
Due from Other Funds	10,063,165	6,078,220	7,378,857
Accounts Receivable	113,773	70,439	215,322
Total Assets	$ 66,253,754	$ 61,429,336	$ 64,430,668
LIABILITIES			
Payables			
Accounts Payable	$ 1,097,248	$ 719,430	$ 1,527,665
Accrued Liabilities	12,944,869	13,737,705	14,072,905
Due to Other Governments	2,359,049	2,573,228	2,199,566
Due to Other Funds	0	734,494	4,695,680
Due to Teachers' Retirement System	11,600,346	10,768,919	9,525,831
Due to Employees' Retirement System	1,325,146	1,282,973	1,236,976
Compensated Absences Payable	1,418,840	947,864	1,887,025
Total Liabilities	30,745,498	30,764,613	35,145,648
DEFERRED INFLOWS OF RESOURCES			
New York State Supplemental Aid	486,939	486,939	486,939
Foster Tuition	903,297	995,202	994,581
Total Deferred Inflows of Resources	1,390,236	1,482,141	1,481,520
FUND BALANCES			
Restricted			
Workers' Compensation	1,816,633	1,816,875	1,818,386
Employee Benefit Accrued Liability	11,126,830	9,628,115	9,036,121
Retirement Contribution	7,510,113	5,910,902	5,915,817
Capital	2,302,936	2,303,243	2,505,324
Property Loss and Liability	76,215	76,225	76,288
Assigned			
Appropriated	3,100,000	2,050,000	
Unappropriated	186,196	75,558	57,612
Unassigned	7,999,097	7,321,664	8,393,952
Total Fund Equity	34,118,020	29,182,582	27,803,500
Total Liabilities Deferred Inflows of Resources & Fund Balances	$ 66,253,754	$ 61,429,336	$ 64,430,668

NOTE: This schedule NOT audited

Source: Audited Annual Financial Reports of the School District.

Budget Summaries
Fiscal Year Ending June 30:

	Budget 2020	Budget 2019
Revenues:		
Real Property Taxes	$ 93,529,258	$ 92,025,934
PILOT (IDA) Funds	3,850,000	3,850,000
Charges for Services	1,200,000	1,200,000
Medicaid Reimbursements	595,000	595,000
Health Services	105,000	105,000
Insurance Recoveries	100,000	100,000
Miscellaneous	2,750,000	2,750,000
State Sources	114,431,013	110,207,091
Total Revenues	$ 216,560,271	$ 210,833,025
Expenditures:		
General Support	$ 24,273,481	$ 24,268,792
Instruction	117,731,522	112,392,834
Pupil Transportation	12,234,103	12,028,547
Community Services	5,000	5,000
Employee Benefits	53,898,520	54,362,777
Debt Service	8,135,645	7,500,075
Interfund Transfers	282,000	275,000
Total Expenditures	$ 216,560,271	$ 210,833,025

Source: Adopted School Budgets

APPENDIX B

CASH FLOW SUMMARIES

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

CASH FLOW SUMMARY 2018-2019 (Actual through June)

	Jul (a)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	49,286,939	33,440,143	19,121,899	15,509,164	4,444,212	13,052,723	7,653,611	41,100,890	28,912,286	58,323,108	48,763,122	64,685,575	
Receipts													
Property Taxes					1,965	1,659,554	44,221,054	115,805	216,346	992,536	14,767,855	21,079,529	83,054,644
Library Property Tax Receipt						878,218	430,000	430,000	430,000	430,000	430,000	430,000	3,458,218
Star Payments							8,894,353						8,894,353
State Aid	506,517	1,760,562	11,414,731	3,405,883	5,523,031	8,858,045	604,951	1,795,249	41,145,828	6,452,702	15,481,112	5,527,871	102,476,482
Cash Received for other Funds	750,231	888,521	952,531	515,879	878,615	3,230,688	1,053,739	946,105	3,283,917		1,389,531	857,524	14,747,281
Medicaid	58,739	318,793	43,216	46,595	99,414	77,984	170,070	199,200	109,302	124,871	133,498	115,676	1,497,358
IDA			21,626		286,956		1,452,025	695,520			1,044,425	190,268	3,690,820
IDA---Public Library							54,595	26,151			39,270	7,154	127,170
Foster/Health					189,277	255,711				96,496	47,817	55,975	645,276
Other Receipts	334,201	168,756	202,590	102,603	153,842	106,999	107,722	915,450	463,692	256,177	304,052	119,890	3,235,974
Tax Anticipation Note--Loan					18,136,801								18,136,801
Total Receipts	1,649,688	3,136,632	12,634,694	4,070,960	25,269,901	15,067,199	56,988,509	5,123,480	45,649,085	8,352,782	33,637,560	28,383,887	239,964,377
Disbursements													
Payroll	7,095,613	11,479,421	8,911,944	8,640,463	8,787,209	8,713,451	13,804,971	9,583,018	9,111,078	9,043,239	9,117,874	15,690,900	119,979,181
Other Disbursements	6,293,911	3,737,752	6,703,501	4,320,446	6,799,110	10,502,909	7,513,020	6,060,097	4,806,397	6,550,314	6,823,317	10,484,060	80,594,834
Transfers to Café/Spec Aid/Capital	613,085	1,198,453	631,984	1,212,632	1,075,071	819,951	1,491,964	1,158,223	1,741,763	1,375,890	1,343,916	1,152,246	13,815,178
Liabrary Property Tax Payment				448,218		430,000	430,000	430,000	430,000	430,000	430,000	430,000	3,458,218
Library IDA-Payment				828				80,746				46,424	127,998
Bond Principal & Interest	3,493,875	1,039,250		513,325			301,275		149,025	513,325			6,010,075
Tax Anticipation Note-Loan Payment												18,383,500	18,383,500
Total Disbursements	17,496,484	17,454,876	16,247,429	15,135,912	16,661,390	20,466,311	23,541,230	17,312,084	16,238,263	17,912,768	17,715,107	46,187,130	242,368,984
Balance	33,440,143	19,121,899	15,509,164	4,444,212	13,052,723	7,653,611	41,100,890	28,912,286	58,323,108	48,763,122	64,685,575	46,882,332	
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	18,000,000	18,000,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	18,000,000	18,000,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

(a) Balance as of June 30, 2018 includes restricted reserves in the amount of $13.7 million.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

PROJECTED CASH FLOW SUMMARY 2019-2020 (Actual through July)

	Jul (a)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	46,882,332	33,555,387	18,140,863	16,036,517	17,485,401	7,701,048	1,167,001	35,679,135	23,531,285	55,042,955	46,912,804	63,944,187	
Receipts													
Property Taxes						1,700,000	44,435,815	330,566	431,107	1,207,597	14,982,616	21,547,204	84,634,905
Library Property Tax Receipt						878,218	430,000	430,000	430,000	430,000	430,000	430,000	3,458,218
Star Payments							8,894,353						8,894,353
State Aid	2,396,517	2,053,430	11,797,737	2,754,660	5,500,000	8,840,640	604,951	1,867,059	42,791,661	6,710,810	16,100,356	5,568,562	106,986,384
Cash Received for other Funds	520,333	300,052	950,109	770,000	620,000	970,000	1,620,000	470,000	3,470,000	1,000,000	1,620,000	1,320,000	13,630,494
Medicaid	132,064	39,941	13,698	46,595	99,414	77,984	170,070	199,200	109,302	124,871	133,498	25,000	1,171,637
IDA	1,566,717				286,956		1,452,025	695,520			1,044,425	399,448	5,445,091
IDA---Public Library	36,323						54,595	26,151			39,270		156,339
Foster/Health			241,230		189,277	255,711				96,496	47,817	102,000	932,531
Other Receipts	207,272	110,466	163,969	100,000	150,000	100,000	10,000	900,000	450,000	250,000	300,000	150,000	2,891,707
Tax Anticipation Note--Loan				16,000,000									16,000,000
Total Receipts	4,859,226	2,503,889	13,166,743	19,671,255	6,845,647	12,822,553	57,671,809	4,918,496	47,682,070	9,819,774	34,697,982	29,542,214	244,201,659
Disbursements													
Payroll	8,300,093	11,102,989	8,604,716	8,830,000	8,830,000	9,006,600	13,509,900	9,006,600	9,006,600	9,006,600	9,006,600	13,456,600	117,667,298
Other Disbursements	5,591,804	3,200,540	5,197,269	6,800,000	6,800,000	9,350,000	7,500,000	6,100,000	4,800,000	6,600,000	6,830,000	9,853,000	78,622,613
Transfers to Café/Spec Aid/Capital	732,999	966,819	1,469,104	1,200,000	1,000,000	1,000,000	1,500,000	1,200,000	1,800,000	1,400,000	1,400,000	1,400,000	15,068,922
Liabrary Property Tax Payment				878,218			430,000	430,000	430,000	430,000	430,000	430,000	3,458,218
Library IDA-Payment				828				80,746					81,574
Bond Principal & Interest	3,561,275	2,648,065		513,325			219,775	249,000	133,800	513,325			7,838,565
Tax Anticipation Note-Loan Payment												16,000,000	16,000,000
Total Disbursements	18,186,171	17,918,413	15,271,089	18,222,371	16,630,000	19,356,600	23,159,675	17,066,346	16,170,400	17,949,925	17,666,600	41,139,600	238,737,190
Balance	33,555,387	18,140,863	16,036,517	17,485,401	7,701,048	1,167,001	35,679,135	23,531,285	55,042,955	46,912,804	63,944,187	52,346,801	
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	16,000,000	16,000,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	16,000,000	16,000,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

(a) Balance as of June 30, 2019 includes restricted reserves in the amount of $13.7 million.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

APPENDIX C

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

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Islip Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Central Islip Union Free School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Central Islip Union Free School District, as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 61 through 65, 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 Central Islip Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Central Islip Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Islip Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 30, 2018

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Central Islip Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- On the District-Wide Financial Statements, revenues increased by 3.24% primarily as a result of an increase in state sources and real property tax revenue.

- The general fund – fund balance decreased by $1,379,082 as a result of expenditures and other financing uses exceeding revenues in the current year.

- On May 15, 2018, the District's residents authorized the proposed 2018-2019 budget in the amount of $210,833,025.

- The District continued to offer all programs, without reducing services.

- The District's current liabilities, as reflected in the District-Wide Financial Statements, increased by $3,734,607 primarily due to increases in accounts payable, accrued liabilities, due to fiduciary funds, and compensated absences, partially offset by decreases in due to other governments and due to teachers' retirement system.

- Long-term liabilities decreased by $13,188,765 primarily due to decreases in bonds payable, energy performance debt payable, total other post-employment benefits obligation, and the net pension liability for the pension systems as a result of the actuarial valuations provided by the state.

- The District's total net position, as reflected in the District-Wide Financial Statements, decreased by $12,380,046 on the accrual basis of accounting.

- The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position to reflect the total OPEB liability, rather than the net OPEB liability. The total OPEB liability at June 30, 2018 was $269,316,357. This new GASB statement has no impact on the governmental funds' financial statements. See Footnote 16 for further information.

- In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* the District recorded a net pension liability of $2,743,669 for the Employees' Retirement System, and a net pension asset of

$3,849,673 for the Teachers' Retirement System. The net pension liability is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please refer to Note 14 for more information.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

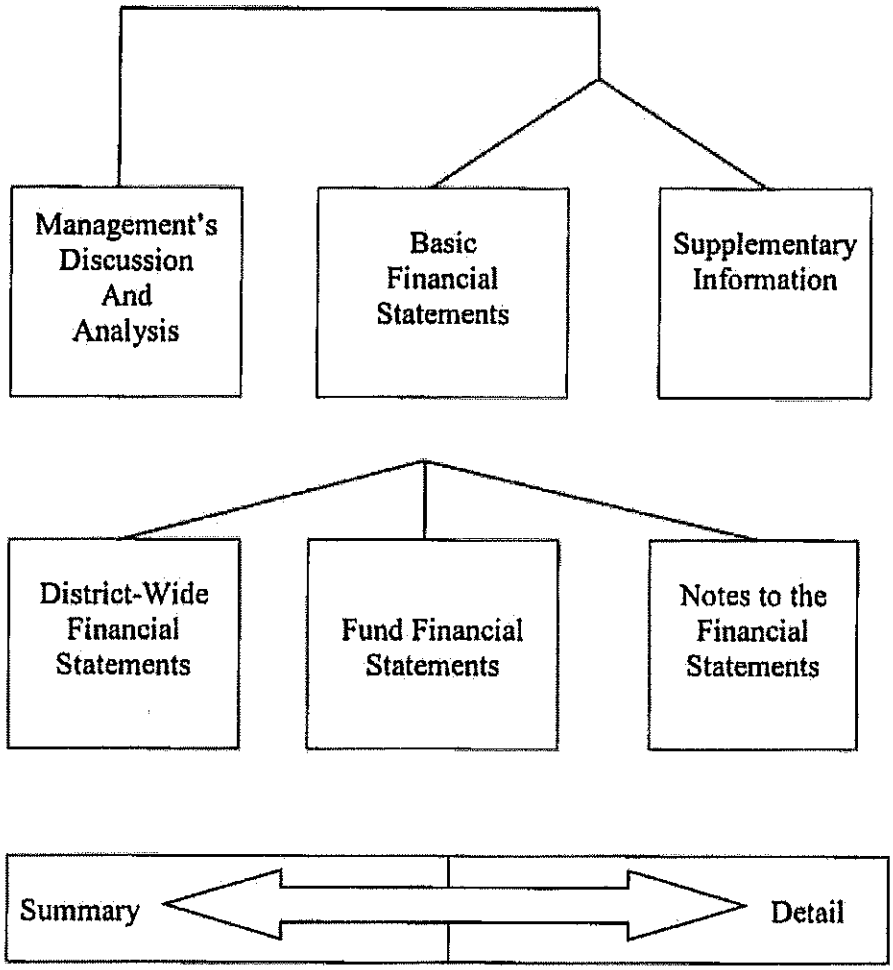
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
    - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short- term* as well as what remains for future spending.
    - *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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



CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Current assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A) District-Wide Financial Statements

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

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

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

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

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds:

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

ii) Fiduciary funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position (deficit) increased by $12,380,046 in the fiscal year ended June 30, 2018, as detailed in Table A-3.

Table A-3: Condensed Statement of Net Position-Governmental Activities

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year 2018	Fiscal Year 2017*	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	$65,318,235	$64,774,871	$543,364	0.84%
Capital assets, net	95,528,983	95,536,641	(7,658)	-0.01%
Net pension asset-proportionate share	3,849,673		3,849,673	N/A
Total assets	164,696,891	160,311,512	4,385,379	2.74%
Deferred outflows of resources	60,973,994	59,542,120	1,431,874	2.40%
Total assets and deferred outflows of resources	$225,670,885	$219,853,632	$5,817,253	2.65%
Current liabilities	$53,177,019	$49,442,412	$3,734,607	7.55%
Long-term liabilities	369,494,167	382,682,932	(13,188,765)	-3.45%
Total liabilities	422,671,186	432,125,344	(9,454,158)	-2.19%
Deferred inflows of resources	34,030,884	6,379,427	27,651,457	433.45%
Total liabilities and deferred inflows of resources	456,702,070	438,504,771	18,197,299	4.15%
Net position				
Net investment in capital assets	43,862,240	38,741,235	5,121,005	13.22%
Restricted	19,680,592	20,064,016	(383,424)	-1.91%
Unrestricted (deficit)	(294,574,017)	(277,456,390)	(17,117,627)	-6.17%
Total net position (deficit)	(231,031,185)	(218,651,139)	(12,380,046)	-5.66%
Total liablilities, deferred inflows of resources, and net position	$225,670,885	$219,853,632	$5,817,253	2.65%

*Long-term liabilities and unrestricted net position for 2017 have been restated for the implementation of GASB Statement No. 75. See Footnote 16 for further information.

Current assets and other assets increased by $543,364 primarily due to an increase in the District's cash balance and an increase in state and federal aid receivable, partially offset by a decrease in due from other governments. Capital assets (net of depreciation) decreased by $7,658. This was attributable to current year depreciation and loss on disposals exceeding current year additions. The District reported a net pension asset – proportionate share for the teachers' retirement system in the amount of $3,849,673 as a result of the actuarial valuation provided by the state. In the prior year, it reported a net pension liability for the teachers' retirement system. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 14, as well as amortization on the deferred charges on refunding, as discussed in Note 13.

Current liabilities increased by $3,734,607, primarily due to increases in accounts payable, accrued liabilities, due to fiduciary funds, and compensated absences, partially offset by decreases in due to other governments and due to teachers' retirement system.

Long-term liabilities decreased by $13,188,765 primarily due to decreases in bonds payable, energy performance debt payable, total other post-employment benefits obligation, and the net pension liability for the pension systems as a result of the actuarial valuations provided by the state.

The changes in deferred inflows of resources represent amortization of pension related items as described in Note 14, amortization on the gain on defeasance and premiums on bonds discussed in Note 13, as well as the addition of deferred inflows related to the total other post-employment benefits obligation, as discussed in Note 16.

The net investment in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by $5,121,005 primarily due to a decrease in bond payable, energy performance contract payable and unamortized bond premium on prior year refunded bonds.

The restricted net position at June 30, 2018, is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted net position decreased by $383,424 from the prior year.

The unrestricted (deficit) relates to the balance of the District's net position. This deficit amount, ($294,574,017), increased by $17,117,627 from the prior year.

B) Changes in Net Position

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

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
Program revenues				
Charges for services	$1,105,916	$1,639,097	($533,181)	-32.53%
Operating grants	14,771,124	14,613,579	157,545	1.08%
General revenues				
Real property taxes (including other tax items)	94,710,163	93,794,034	916,129	0.98%
State sources	105,708,138	100,203,934	5,504,204	5.49%
Use of money and property	512,486	242,598	269,888	111.25%
Other	3,013,987	2,437,802	576,185	23.64%
Total Revenues	$219,821,814	$212,931,044	$6,890,770	3.24%
Expenses				
General support	$34,997,691	$34,040,922	$956,769	2.81%
Instruction	178,236,753	181,409,609	(3,172,856)	-1.75%
Pupil transportation	11,765,714	10,694,256	1,071,458	10.02%
Debt service - interest	1,526,854	1,365,166	161,688	11.84%
Food service program	5,674,848	5,662,308	12,540	0.22%
Total Expenses	$232,201,860	$233,172,261	($970,401)	-0.42%
Increase (Decrease) in net position	($12,380,046)	($20,241,217)	$7,861,171	38.84%

Information for 2017 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Footnote 16 for further information.

The District's total fiscal year 2018 revenues totaled $219, 821,814 (See Table A-4). Real property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 43.08% and 48.09%, respectively of total District revenues (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled $232,201,860 for fiscal year 2018 (See Table A-4). These expenses are predominantly related to instruction, which account for 76.76% of District expenses (See Table A-6). The District's general support activities accounted for 15.07% of total costs. Total expenses decreased by $970,401 or 0.42%.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

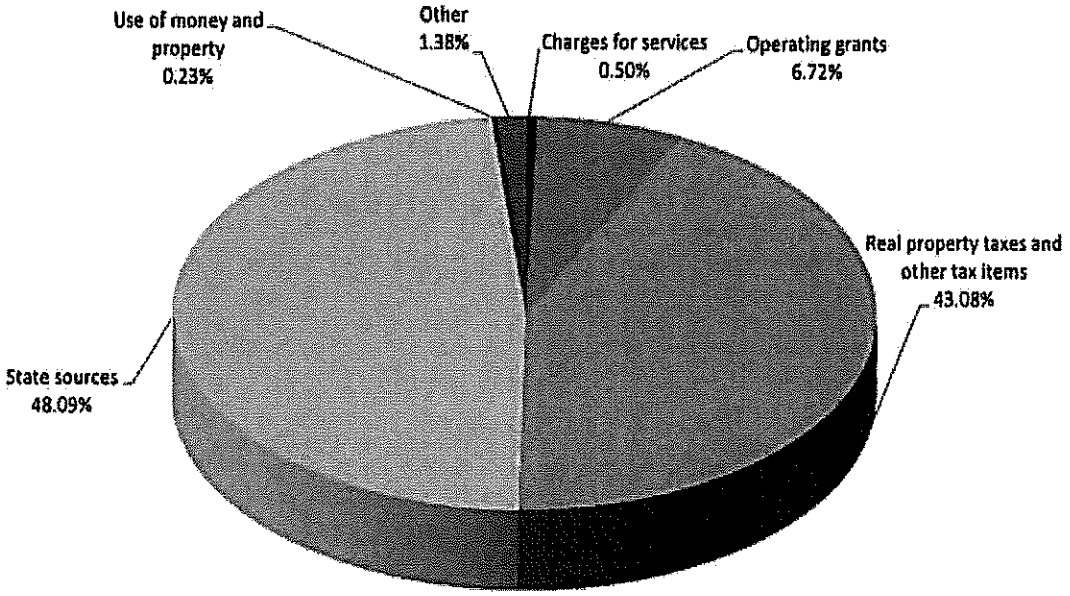
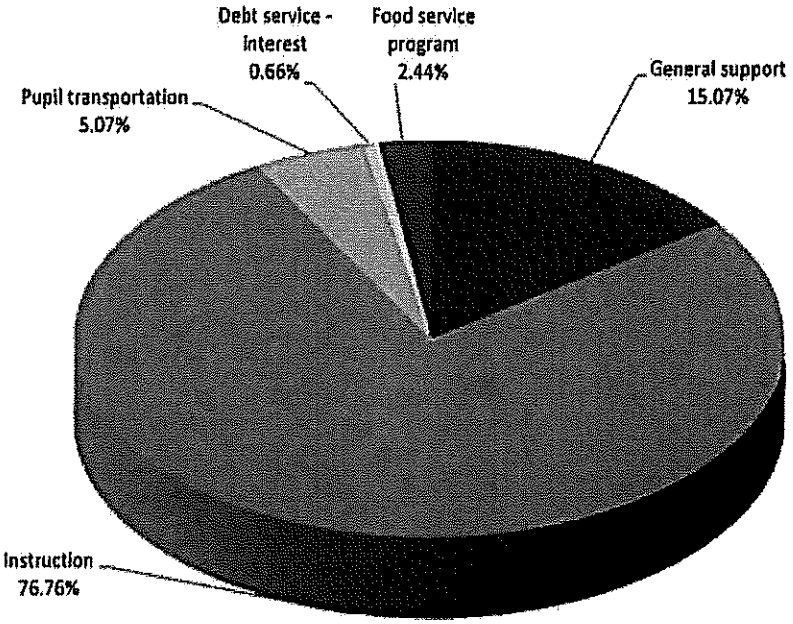


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C) Governmental Activities

Revenues for the District's governmental activities totaled $219,821,814 while total expenses equaled $232,201,860. There was a decrease in net position of $12,380,046 primarily due to other post-employment benefits.

The overall financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strategic use of services from the Eastern Suffolk BOCES; and
- Improved curriculum and community support.

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
General support	$34,997,691	$34,040,922	$34,997,691	$34,040,922
Instruction	178,236,753	181,409,609	168,430,002	171,250,024
Pupil transportation	11,765,714	10,694,256	11,765,714	10,694,256
Debt service - interest	1,526,854	1,365,166	1,526,854	1,365,166
Food service program	5,674,848	5,662,308	(395,441)	(430,783)
Total	$232,201,860	$233,172,261	$216,324,820	$216,919,585

- The cost of all governmental activities this year was $232,201,860 (Statement of Activities, Expenses column-see Exhibit 3).

- The users of the District's programs financed $1,105,916 of the cost (Statement of Activities, Charges for Services column-see Exhibit 3).

- The federal and state governments subsidized certain programs with operating grants of $14,771,124. (Statement of Activities, Operating Grants columns-see Exhibit 3)

- Most of the District's net costs of $216,324,820 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2018, the District's combined governmental funds reported a total fund balance of $11,312,281 which is a decrease of $3,221,243 from the prior year.

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	% Change
General Fund				
Restricted for workers' compensation	$1,818,386	$1,816,875	$1,511	0.08%
Restricted for employee benefit accrued liability	9,036,121	9,628,115	(591,994)	-6.15%
Restricted for retirement contribution	5,915,817	5,910,902	4,915	0.08%
Restricted for capital	2,505,324	2,303,243	202,081	8.77%
Restricted for liability	76,288	76,225	63	0.08%
Assigned-appropriated for subsequent year's expenditures		2,050,000	(2,050,000)	-100.00%
Assigned - finance	12,865	38,760	(25,895)	-66.81%
Assigned - central services	44,552	32,753	11,799	36.02%
Assigned - instruction	195	4,045	(3,850)	-95.18%
Unassigned	8,393,952	7,321,664	1,072,288	14.65%
Total fund balance - general fund	$27,803,500	$29,182,582	($1,379,082)	-4.73%
School Lunch Fund				
Non spendable for inventory	$23,841	$13,947	$9,894	70.94%
Assigned-unappropriated	1,433,812	871,099	562,713	64.60%
Total fund balance - school lunch fund	$1,457,653	$885,046	$572,607	-64.70%
Capital Projects Fund				
Restricted for unspent bond proceeds	$387,755	$387,755	$ -	0.00%
Unassigned for capital projects	(18,665,283)	(16,250,515)	(2,414,768)	-14.86%
Total fund balance (deficit) - capital projects fund	($18,277,528)	($15,862,760)	($2,414,768)	-15.22%
Debt Service Fund				
Restricted for debt service	$328,656	$328,656	$ -	0.00%
Total fund balance - debt service fund	$328,656	$328,656	$ -	0.00%
Total fund balance - all funds	$11,312,281	$14,533,524	($3,221,243)	-22.16%

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The general fund – fund balance decreased by $1,379,082 as a result of expenditures and other financing uses exceeding revenues in the current year.

The net change in the school lunch fund - fund balance is an increase of $572,607. This increase is the operating profit for the current year.

The capital projects fund – fund balance decreased by $2,414,768 as compared to the prior year as a result of current year's capital outlay exceeding revenues.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was $203,623,675. This amount was increased by encumbrances carried forward from the prior year in the amount of $75,558, and budget revisions of $1,800,000 for unanticipated retiree expenditures, and $600,000 for the appropriation of the employee benefits accrued liability reserve, which resulted in a final budget of $206,099,233. The majority of the funding was real property taxes, including other tax items of $94,737,937 and state aid of $105,046,950.

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

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

Opening, unassigned fund balance	$7,321,664
Revenues over budget	1,268,203
Expenditures and encumbrances under budget	20,661
Interest allocated to reserves	(16,576)
Transfer to capital reserve	(200,000)
Closing, unassigned fund balance	$8,393,952

The revenues over budget of $1,268,203 were primarily in state sources, sale of property and compensation for loss, miscellaneous revenues, and federal sources. (See Supplemental Schedule 1 for detail).

The expenditures and encumbrances under budget of $20,661 were primarily in instructional programs. (See Supplemental Schedule 1 for details).

Interest earned and allocated to reserves totaled $16,576 and consisted of $1,511 to the workers' compensation reserve, $8,006 to the employee benefit accrued liability reserve, $4,915 to the retirement contribution reserve, $2,081 to the capital reserve and $63 to the liability reserve.

The district transferred $200,000 of unassigned fund balance to the capital reserve.

The unassigned fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent year's taxes. This amount is limited to 4% of the 2018-2019 budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2018. A summary of the District's capital assets, net of depreciation are as follows:

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

Category	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Percentage Change
Land	$539,650	$539,650	$ -	0.00%
Construction in progress	13,171,748	19,427,758	(6,256,010)	-32.20%
Buildings & building improvements	127,294,594	118,623,382	8,671,212	7.31%
Furniture & equipment	3,218,502	4,487,817	(1,269,315)	-28.28%
Site improvements	3,027,294	3,051,918	(24,624.00)	-0.81%
Subtotal	147,251,788	146,130,525	1,121,263	0.77%
Less: accumulated depreciation	51,722,805	50,593,884	1,128,921	2.23%
Total net capital assets	$95,528,983	$95,536,641	($7,658)	-0.01%

The District spent $2,415,202 in the capital projects fund. The District's remaining additions to furniture and equipment of $193,752 were provided by the general fund and school lunch fund.

B) Long-Term Debt

At June 30, 2018, the District had total bonds payable of $25,570,000 and obligation under an energy performance debt agreement of $7,634,646. A summary of outstanding debt at June 30, 2018 follows. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements (see note 12).

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018	2017	Increase (Decrease)
Serial bonds	$25,570,000	$29,505,000	($3,935,000)
Energy performance debt	7,634,646	8,410,258	(775,612)
	$33,204,646	$37,915,258	($4,710,612)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) On August 16, 2018 the District retired $17,000,000 in bond anticipation notes by issuing serial bonds with par value of $17,900,000 and a premium of $27,922.

	Issue Date	Amount	Rate	Premium
Serial Bonds	08/16/18	$17,900,000	2.5%-3.0%	$27,922

B) The general fund budget for the 2018-2019 school year was approved by the voters in the amount of $210,833,025. This is an increase of $7,209,350 or 3.54% from the previous year's budget. The increase was primarily due to increase in personnel and employee benefits costs.

C) The 2018-2019 budget is negatively impacted by certain trends impacting school districts. The property tax levy limit, enacted by the NYS Legislature beginning in the 2012-2013 fiscal year, continues to negatively impact school districts, especially given fluctuations in state aid.

D) New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below $500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-2015 school year.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Central Islip Union Free School District
Dr. Howard Koenig
Superintendent of Schools
50 Wheeler Road
Central Islip, New York 11722
631-348-5112

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Cash	
Unrestricted	$30,168,595
Restricted	19,351,936
Receivables	
State and federal aid	8,553,458
Due from other governments	3,254,450
Due from fiduciary funds	3,750,633
Accounts receivable	215,322
Inventories	23,841
Capital assets	
Not being depreciated	13,711,398
Being depreciated, net of accumulated depreciation	81,817,585
Net pension asset-proportionate share-teachers' retirement system	3,849,673
TOTAL ASSETS	164,696,891
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	60,667,771
Deferred charge on refunding	306,223
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,973,994
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$225,670,885
LIABILITIES	
Payables	
Accounts payable	$1,704,983
Accrued liabilities	15,251,334
Accrued interest payable	652,585
Due to fiduciary funds	3,656,551
Due to other governments	2,254,304
Due to teachers' retirement system	9,525,831
Due to employees' retirement system	1,236,976
Compensated absences payable	1,887,025
Note payable	
Bond anticipation note payable	17,000,000
Unearned credits	
Collections in advance	7,430
Long-term liabilities	
Due and payable within one year	
Bonds payable	4,005,000
Energy performance debt payable	799,846
Due and payable after one year	
Bonds payable	21,565,000
Energy performance debt payable	6,834,800
Compensated absences payable	61,185,245
Workers' compensation claims payable	3,044,250
Net pension liability-proportionate share-employees' retirement system	2,743,669
Total other post-employment benefits obligation	269,316,357
TOTAL LIABILITIES	422,671,186
DEFERRED INFLOWS OF RESOURCES	
Pensions	20,783,485
Other post-employment benefits obligation	11,091,324
Gain on defeasance/premium	2,156,075
TOTAL DEFERRED INFLOWS OF RESOURCES	34,030,884
NET POSITION	
Net investment in capital assets	43,862,240
Restricted	
Workers' compensation	1,818,386
Employee benefit accrued liability	9,036,121
Retirement contribution	5,915,817
Capital	2,505,324
Property loss and liabiltiy	76,288
Debt service	328,656
	19,680,592
Unrestricted (deficit)	(294,574,017)
TOTAL NET POSITION (DEFICIT)	(231,031,185)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$225,670,885

See Accompanying Notes to Financial Statements

Exhibit 3

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	$34,997,691			($34,997,691)
Instruction	178,236,753	$652,310	$9,154,441	(168,430,002)
Pupil transportation	11,765,714			(11,765,714)
Debt service - interest	1,526,854			(1,526,854)
Food service program	5,674,848	453,606	5,616,683	395,441
TOTAL FUNCTIONS AND PROGRAMS	$232,201,860	$1,105,916	$14,771,124	(216,324,820)
GENERAL REVENUES				
Real property taxes				80,847,400
Other tax items - including STAR reimbursement				13,862,763
Use of money and property				512,486
Sale of property and compensation for loss				1,198,780
Miscellaneous				1,167,130
State sources				105,708,138
Medicaid reimbursement				648,077
TOTAL GENERAL REVENUES				203,944,774
CHANGE IN NET POSITION				(12,380,046)
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 16)				(218,651,139)
TOTAL NET POSITION - END OF YEAR				($231,031,185)

See Accompanying Notes to Financial Statements

Exhibit 4

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$29,935,003	$146,119	$24,063	$63,410		$30,168,595
Restricted	19,351,936					19,351,936
Receivables						
State and federal aid	4,295,100	3,893,486	364,872			8,553,458
Due from other governments	3,254,450					3,254,450
Due from other funds	7,378,857		1,466,073		$328,656	9,173,586
Accounts receivable	215,322					215,322
Inventories			23,841			23,841
TOTAL ASSETS	$64,430,668	$4,039,605	$1,878,849	$63,410	$328,656	$70,741,188
LIABILITIES						
Payables						
Accounts payable	$1,527,665	$119,188	$29,560	$28,570		$1,704,983
Accrued liabilities	14,072,905	692,898	329,468	156,063		15,251,334
Due to other governments	2,199,566		54,738			2,254,304
Due to other funds	4,695,680	3,227,519		1,156,305		9,079,504
Due to teachers' retirement system	9,525,831					9,525,831
Due to employees' retirement system	1,236,976					1,236,976
Compensated absences	1,887,025					1,887,025
Note payable						
Bond anticipation note payable				17,000,000		17,000,000
Unearned credits						
Collections in advance			7,430			7,430
TOTAL LIABILITIES	35,145,648	4,039,605	421,196	18,340,938	-	57,947,387
DEFERRED INFLOWS OF RESOURCES						
New York State supplemental aid	486,939					486,939
Foster tuition	994,581					994,581
TOTAL DEFERRED INFLOWS OF RESOURCES	1,481,520	-	-	-	-	1,481,520
FUND BALANCES						
Nonspendable:						
Inventories			23,841			23,841
Restricted:						
Workers' compensation	1,818,386					1,818,386
Employee benefit accrued liability	9,036,121					9,036,121
Retirement contribution	5,915,817					5,915,817
Capital	2,505,324					2,505,324
Property loss and liability	76,288					76,288
Debt service					$328,656	328,656
Unspent bond proceeds				387,755		387,755
Assigned:						
Unappropriated	57,612		1,433,812			1,491,424
Unassigned	8,393,952			(18,665,283)		(10,271,331)
TOTAL FUND BALANCES	27,803,500	-	1,457,653	(18,277,528)	328,656	11,312,281
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$64,430,668	$4,039,605	$1,878,849	$63,410	$328,656	$70,741,188

See Accompanying Notes to Financial Statements

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances		$11,312,281
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. The Statement of Net Position include those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$147,251,788	
Accumulated depreciation	(51,722,805)	95,528,983
Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net positon. The net pension asset-proportionate share for TRS at year-end was:		3,849,673
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Deferred outflows of resources - Charge on refunding		306,223
Deferred inflows of resources - Gain on defeasance/premium		(2,156,075)
Deferred inflows of resources-supplemental aid and foster tuition. The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		1,481,520
Deferred inflows of resources-The Statement of Net Position recognized revenues and expenditures received under the full accrual method. Governmental funds recognize revenue and expenditures under the modified accrual method. Deferred inflows related to pensions and other post-employment benefits obligation that will be recognized as a reduction in expense in future periods amounted to:		(31,874,809)
Deferred outflows of resources-The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to:		60,667,771
Payables that are associated with long-term and short-term liabilities that are not due and payable in the current period are not reported as liabilities in the funds.		
Accrued interest payable		(652,585)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Bonds payable	($25,570,000)	
Energy performance debt payable	(7,634,646)	
Compensated absences payable	(61,185,245)	
Workers' compensation claims payable	(3,044,250)	
Net pension liability-proportionate share	(2,743,669)	
Total other post-employment benefits obligation	(269,316,357)	(369,494,167)
Total Net Position (deficit)		($231,031,185)

See Accompanying Notes to Financial Statements

Exhibit 6

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	$80,847,400					$ 80,847,400
Other tax items - including STAR reimbursement	13,862,763					13,862,763
Charges for services	652,931					652,931
Use of money and property	512,463		$23			512,486
Sale of property and compensation for loss	1,198,780					1,198,780
Miscellaneous	1,160,465		6,231	$434		1,167,130
Interfund revenues	50,861					50,861
Local sources		$42,703				42,703
State sources	105,708,138	4,240,878	166,740			110,115,756
Medicaid reimbursement	648,077					648,077
Federal sources		4,870,860	5,205,937			10,076,797
Surplus food			244,006			244,006
Sales			453,606			453,606
TOTAL REVENUES	204,641,878	9,154,441	6,076,543	434	-	219,873,296
EXPENDITURES						
General support	22,368,408					22,368,408
Instruction	110,522,023	8,420,936				118,942,959
Pupil transportation	11,765,714					11,765,714
Employee benefits	54,398,665	1,013,517				55,412,182
Debt service - principal	4,710,612					4,710,612
Debt service - interest	1,975,526					1,975,526
Cost of sales			5,503,936			5,503,936
Capital outlay				2,415,202		2,415,202
TOTAL EXPENDITURES	205,740,948	9,434,453	5,503,936	2,415,202	-	223,094,539
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,099,070)	(280,012)	572,607	(2,414,768)	-	(3,221,243)
OTHER FINANCING SOURCES AND (USES)						
TOTAL OTHER FINANCING SOURCES AND (USES)	(280,012)	280,012	-	-	-	-
NET INCREASE (DECREASE)	(1,379,082)	-	572,607	(2,414,768)	-	(3,221,243)
FUND BALANCES - BEGINNING OF YEAR	29,182,582		885,046	(15,862,760)	328,656	14,533,524
FUND BALANCES - END OF YEAR	$27,803,500	$ -	$1,457,653	($18,277,528)	$328,656	$11,312,281

See Accompanying Notes to Financial Statements

Exhibit 7

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

Net Change in Fund Balances			($3,221,243)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Long-Term Revenue and Expense Differences			
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.			(621)
In the Statement of Activities, compensated absences (vacation and sick days) are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.			(1,881,056)
Workers' compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2017 to June 30, 2018 changed by:			(852,217)
Changes in the proportionate share of net pension asset/liability, and total other post-employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
	Teachers' retirement system	($1,437,814)	
	Employees' retirement system	112,516	
	Other post-employment benefits obligation	(10,251,237)	(11,576,535)
Long-Term Debt Transactions			
Repayment of bond and energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			4,710,612
Interest on debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financials resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by:			30,621
Governmental funds report the premiums, discounts and similar items on the refunded debt when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2018 was:			418,051
Capital Related Items			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. For governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital outlays	$2,608,954	
	Depreciation expense	(2,613,854)	(4,900)
Loss on disposal of capital assets are not reportable in the governmental funds. The Statement of Activities recognizes the loss on disposal of capital assets.			(2,758)
Change in Net Position of Governmental Activities			($12,380,046)

See Accompanying Notes to Financial Statements

Exhibit 8

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash - restricted		$437,871
Due from trust and agency	$3,252	
Due from other funds		3,656,551
TOTAL ASSETS	$3,252	$4,094,422
LIABILITIES		
Extraclassroom activity funds		$105,910
Due to private purpose trust fund		3,252
Due to general fund		3,750,633
Other liabilities		234,627
TOTAL LIABILITIES		$4,094,422
NET POSITION		
Restricted for scholarships	$3,252	
TOTAL NET POSITION	$3,252	

See Accompanying Notes to Financial Statements

Exhibit 9

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Interest and earnings	$ -
TOTAL ADDITIONS	-
DEDUCTIONS	
Disbursements	5,406
TOTAL DEDUCTIONS	5,406
CHANGE IN NET POSITION	(5,406)
NET POSITION - BEGINNING OF YEAR	8,658
NET POSITION - END OF YEAR	$ 3,252

See Accompanying Notes to Financial Statements

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

Certain significant accounting principles and policies utilized 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 seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extraclassroom Activity Funds

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

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants 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.

ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

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

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

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

D) Measurement focus and basis of accounting:

The District-Wide Financial Statements 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 and the related expenditures are incurred.

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 six months 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, compensated absences, claims payable, net pension liability, and other post-employment benefits obligation, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a line on December 1. The District's tax levy is collected by the Town of Islip. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied.

ii) Enforcement

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 July 1.

F) Restricted resources:

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

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure 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 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

I) Cash and investments:

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

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

J) Receivables:

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

K) Inventories and prepaid items:

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

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures. The District has inventory of $23,841 recorded as non-spendable fund balance as of June 30, 2018.

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

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & building improvements	$500,000	Straight-line	50-25 years
Site Improvement	$25,000	Straight-line	20 years
Furniture & Equipment	$5,000	Straight-line	5-20 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consists of amounts for pre-paid student meals in the school lunch fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. The first is the financial effect of deferred charges on advance refunding of general obligation serial bonds. The District reported $306,223 of deferred outflows of resources that resulted from the difference in the net carrying value of the refunded debt over its reacquisition price. The second item in this category is related to pensions reported in the District-Wide Statement of Net Position, and is detailed further in Note 14.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. One is premiums on obligations and a deferred gain on refunding which resulted from a difference in carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt, or in case of the premium, over the life of the borrowing. The second item is related to pensions reported in the District-Wide Statement of Net Position, and is detailed further in Note 14. The third is related to the District's other post-employment benefits obligation, and is detailed further in Note 16.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability

criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. The deferred inflows of resources on the Fund Level Statements represent New York State Supplemental aid and foster tuition amounts. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences 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.

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

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

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

P) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Section 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide

Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

Q) Short-term debt:

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

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

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

R) Accrued liabilities and long-term obligations:

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

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

S) Equity classifications:

i) District-Wide Financial Statements

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

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

proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

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

ii) Fund Financial Statements

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

(1) **Nonspendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund of $23,841.

(2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve

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

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GM §6-p), this must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the

Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution Reserve

Retirement contribution reserve (GM §6-r), this 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 funds must be provided to the Board. The reserve is accounted for in the general fund restricted fund balance.

Capital Reserve

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

Property Loss and Liability Reserve

Property loss and liability reserve (GML §6-h) must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

Debt Service

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

Restricted for Unspent Bond Proceeds

Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. This restricted fund balance is accounted for in the capital projects fund.

Restricted for Scholarships

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

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

(4) **Assigned fund balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

The unassigned deficit fund balance in the capital projects fund of $18,665,283 will be eliminated once permanent financing is obtained.

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

Order of Use of Fund Balance

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

unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 16 for more information.

U) Future changes in accounting standards:

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

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

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

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

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result

primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Long-term debt transaction differences:

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

iii) Capital related differences:

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

B) Encumbrances:

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

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

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

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2018 included $19,351,936 in the general fund for general reserve, debt service, and capital purposes and $437,871 in the fiduciary funds.

B) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C) Investment Pool:

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are $87,241,110 which consists of $32,810,000 in repurchase agreements, $44,161,900 in U.S. Treasury Securities, $10,267,953 in collateralized bank products with various interest rate and due dates and $1,257 in cash.

At June 30, 2018 the District held $272,667 in investments consisting of various investments in securities issued by the United States and its agencies.

The following amounts are included as cash:

Fund	Carrying Amount
General fund	$219,498
Capital projects fund	53,169
	$272,667

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. New York Liquid Asset Fund (NYLAF) is rated AAAm by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of the NYLAF, which may be obtained from their website, www.nylaf.org.

NOTE 5 – PARTICIPATION IN BOCES:

During the year, the District was billed $19,328,901 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $4,403,328. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services, James Hines Administration Center, 201 Sunrise Highway Patchogue, NY 11772.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 –STATE AND FEDERAL AID RECEIVABLES:

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

Description	General Fund	Special Aid Fund	School Lunch Fund	Total
State aid-excess cost	$3,926,213			$3,926,213
State aid-general aid	169,427			169,427
Federal medicaid	199,460			199,460
State & local grants		$1,870,157		1,870,157
Federal grants		2,023,329		2,023,329
Snack-federal			$1,700	1,700
Breakfast-federal			178,521	178,521
Lunch-federal			172,780	172,780
Breakfast - state			8,597	8,597
Lunch - state			3,274	3,274
Total	$4,295,100	$3,893,486	$364,872	$8,553,458

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2018 consisted of the following:

Foster tuition	$1,000,265
Services to non-resident students	3,528
Section 125 employer refund	1,639
IRS-refund bond interest	55,608
BOCES aid	2,193,410
Total	$3,254,450

District management has deemed these amounts to be fully collectible.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$539,650			$539,650
Construction in progress	19,427,758	$2,415,202	($8,671,212)	13,171,748
Total nondepreciable capital assets	19,967,408	2,415,202	(8,671,212)	13,711,398
Capital assets being depreciated				
Building & building improvement	118,623,382		8,671,212	127,294,594
Furniture and equipment	4,487,817	193,752	(1,463,067)	3,218,502
Land improvement	3,051,918		(24,624)	3,027,294
Total depreciable capital assets	126,163,117	193,752	7,183,521	133,540,390
Less accumulated depreciation:				
Building & building improvement	44,817,241	2,337,372		47,154,613
Furniture and equipment	3,665,283	164,949	(1,461,417)	2,368,815
Land improvement	2,111,360	111,533	(23,516)	2,199,377
Total accumulated depreciation	50,593,884	2,613,854	(1,484,933)	51,722,805
Total capital assets being depreciated, net	75,569,233	(2,420,102)	8,668,454	81,817,585
Total capital assets, net	$95,536,641	($4,900)	($2,758)	$95,528,983

Depreciation expense and loss on disposals were charged to the governmental functions as follows:

Instruction	$2,444,857
General support	150,696
Food service	21,059
	$2,616,612

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$7,378,857	$4,695,680		$280,012
Special aid fund		3,227,519	$280,012	
School lunch fund	1,466,073			
Debt service fund	328,656			
Capital projects fund		1,156,305		
Total government activities	9,173,586	$9,079,504	280,012	280,012
Fiduciary agency fund	3,656,551	3,750,633		
Totals	$12,830,137	$12,830,137	$280,012	$280,012

The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses required by New York State Law, to fund the preschool program and to fund the State Supported Section 4201 schools. Beginning in the 2011-2012 school year, the State Supported Section 4201 schools were authorized under Chapter 58 of the Laws of 2011 to bill the District at time of initial admission for the cost of the 10-month school year education.

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

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

NOTE 10 – DUE TO OTHER GOVERNMENTS:

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

General Fund	
NYS governmental agencies	$22,519
Suffolk County governmental agencies	86,490
Town of Islip	3,042
NYS Education Department--medicaid funds received	36,581
NYS public school district	203,025
Due to BOCES & local public schools	1,847,909
Total General Fund	2,199,566
School Lunch Fund	
State aid overpayment	54,030
Due to NYS Department of Taxation - sales tax	708
Total School Lunch Fund	54,738
Total All Funds	$2,254,304

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NOTE 11 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/2018	2.00% - 2.25%	$ -	$17,500,000	$17,500,000	$ -
BAN	8/16/2017	2.00%	17,000,000		17,000,000	-
BAN	8/16/2018	2.00%		17,000,000		17,000,000
			17,000,000	34,500,000	34,500,000	17,000,000

The Tax Anticipation Note (TAN) was issued for interim financing of general fund operations. The Bond Anticipation Notes (BAN) were issued as interim financing to fund capital construction projects until permanent financing is obtained.

Interest on short term debt for the year was composed of:

	Total
Interest paid	$577,188
Less interest accrued in the prior year	(111,414)
Plus interest accrued in the current year	160,945
Total expense	$626,719

NOTE 12 – LONG – TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	$29,505,000		$3,935,000	$25,570,000	$4,005,000
Energy performance debt payable	8,410,258		775,612	7,634,646	799,486
Other long-term liabilities:					
Compensated absences payable	59,304,189	$5,236,275	3,355,219	61,185,245	
Claims payable	2,192,033	14,839,831	13,987,614	3,044,250	
Net pension liability-proportionate share	13,115,008		10,371,339	2,743,669	
Total OPEB obligation*	270,156,444	5,227,405	6,067,492	269,316,357	
Total long-term liabilities	$382,682,932	$25,303,511	$38,492,276	$369,494,167	$4,804,486

*Beginning balance as restated

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The general fund has typically been used to liquidate long-term liabilities such as bonds payable, energy performance debt, compensated absences, claims payable, total other post-employment benefits obligation and net pension liability.

A) Bonds Payable:

Existing serial and statutory bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Refunding-Serial Bond	5/17/2013	7/15/2023	2.0 - 5.0%	$ 16,020,000
Serial Bond	9/13/2012	9/1/2028	4.20%	3,500,000
Serial Bond	9/12/2014	9/1/2028	2.0 - 3.0%	6,050,000
				$ 25,570,000

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

Fiscal Year Ended June 30	Principal	Interest	Total
2019	$ 4,005,000	$ 978,425	$ 4,983,425
2020	4,135,000	803,875	4,938,875
2021	4,310,000	606,050	4,916,050
2022	3,905,000	424,125	4,329,125
2023	4,040,000	259,775	4,299,775
2024-2028	4,600,000	485,250	5,085,250
2029	575,000	8,625	583,625
	$ 25,570,000	$ 3,566,125	$ 29,136,125

Unissued Debt

On April 7, 2014, the District voters approved a Capital Projects Bond Proposition authorizing the construction of improvements to all District school buildings and/or sites and obtaining the necessary funding through the issuance of up to $24,890,000 in serial bonds. The principal and interest of said serial bonds shall be paid through the levy and collection of taxes of on all taxable real property in the District in addition to the authorization of up to $5,202,010 to be expended from the District's capital reserve fund to pay for a portion of the cost of the capital project.

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B) Energy performance debt payable:

Energy performance debt is comprised of the following:

Description	Date	Maturity	Rate	at Year End
Energy Performance Debt	7/15/2011	10/15/2026	3.05%	$7,634,646
				$7,634,646

The following is a summary of debt service requirement for energy performance debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$799,486	$227,164	$1,026,650
2020	824,096	202,555	1,026,651
2021	849,462	177,188	1,026,650
2022	875,610	151,040	1,026,650
2023	902,563	124,088	1,026,651
2024-2027	3,383,429	209,846	3,593,275
	$7,634,646	$1,091,881	$8,726,527

C) Long-term interest:

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

	Total
Interest paid	$1,398,338
Less interest accrued in the prior year	(571,792)
Plus interest accrued in the current year	491,640
Less amortization of deferred amounts	(418,051)
Total expense	$900,135

NOTE 13 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

A) The deferred inflows of resources on the Fund Level Statements represent New York State Supplemental aid and foster tuition amounts. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

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B) The deferred charge on refunding and the gain on defeasance pertaining to the 2013 refunding and 2014 bond issuance are recorded in the District-Wide Financial Statements as deferred outflows/inflows of resources at June 30, 2018, and consisted of the following:

	June 30, 2017	Amortization	June 30, 2018
Deferred charge on refunding	381,216	(74,993)	306,223
Gain on defeasance/bond premium	(2,649,119)	493,044	(2,156,075)

The deferred charge on refunding of the advanced refunding and the gain on defeasance are being amortized on the District-Wide Financial Statements using the straight-line method over 12 years, the time to maturity of the refunded bonds, at the point of refunding. The bond premium on the 2014 issuance is being amortized over 14 years, for the life of the new bonds from the date of issuance. Amortization is included as a component of interest expense.

NOTE 14 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

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

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement

system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. 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 Retirement System, 110 State Street, Albany NY 12244.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
    b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
        i. Employees contribute 3.5% of their salary throughout active membership.
    c. Employees who joined the system on or after April 1, 2012
        i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State Employees' Retirement System
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
    b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
        i. Employees contribute 3% of their salary throughout active membership.
    c. Employees who joined the system on or after April 1, 2012
        i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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For ERS, 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 TRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	NYSERS	NYSTRS
2018	$ 4,158,078	$ 8,062,837
2017	$ 3,991,824	$ 9,383,918
2016	$ 4,629,915	$ 10,079,951

C) **Pension Assets, Liabilities, Pension Expense, and Deferred Outlflows and Inflows of Resources Related to Pensions:**

At June 30, 2018, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	$ (2,743,669)	$ 3,849,673
District's portion of the Plan's total net pension asset/(liability)	0.0850106%	0.506470%
Change in proportion since prior measurement date	0.0016125%	0.013610%

For the year ended June 30, 2018, the District recognized pension expense of $4,045,561 for ERS and $9,523,693 for TRS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 978,578	$ 3,167,335	$ 808,660	$ 1,500,943
Changes of assumptions	1,819,279	39,171,170		
Net difference between projected and actual earnings on pension plan investments	3,984,962		7,865,916	9,067,093
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,858,387	388,247		1,540,873
District's contributions subsequent to the measurement date	1,236,976	8,062,837		
	$ 9,878,182	$ 50,789,589	$ 8,674,576	$ 12,108,909

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Plan Year ended:		
2018		$ 736,016
2019	$ 1,315,942	10,208,649
2020	1,036,435	7,261,437
2021	(1,649,553)	1,686,245
2022	(736,194)	7,239,860
Thereafter	-	3,485,636
	$ (33,370)	$ 30,617,843

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.52% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.25% for TRS) than the current rate:

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ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset (liability)	($20,759,341)	($2,743,669)	$12,496,869

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension asset (liability)	($66,318,461)	$3,849,673	$62,612,002

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension (liability)	$ (183,400,590)	$ (114,708,261)
Plan fiduciary net position	180,173,145	115,468,360
Employers' net pension asset/(liability)	$ (3,227,445)	$ 760,099
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	98.24%	100.66%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to $1,236,976.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to $9,525,831.

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NOTE 15 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018, totaled $36,949 and $6,144,878 respectively.

B) Deferred Compensation Plan:

The District established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled $1,496,736.

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District provides primarily post-employment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan (NYSHIP) (the "Plan"), which is a single-employer defined benefit healthcare plan administered by New York State and the United Public Service Employees' Union Benefit Plan (UPSEU) (the "Plan"), which is a fully insured, community rated plan maintained by Local 74 of the United Service Workers Union. The Plan does not issue a stand-alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. Plan members receiving benefits contributed either a fixed annual amount ranging between $200 and $900 or 0% - 15% of the health insurance premium. The District recognizes the cost of

the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2018, the District contributed an estimated $6,067,492 to the Plan, including $6,067,492 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employee Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	506
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	754
Total	1,260

B) Total OPEB Liability:

The District's total OPEB Liability of $269,316,357 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB Liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.00% , average, including inflation
Wage inflation	3.50%
Discount rate	3.87%
Health cost trend rates	7.00% increase in the first year, decreasing by 0.5% per year to an ultimate rate of 5.00%

The discount rate was based on the Bond Buyer Index AA.

Mortality rates were based on the UP-94 Mortality rate table with generational improvement using Scale AA.

Turnover rates and retirement rates were commensurate with the combined experience of the New York State Employees and Teachers Retirement Systems.

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C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2017	$ 270,156,444
Changes for the fiscal year:	
Service cost	8,507,037
Interest	9,867,545
Changes of benefit terms	-
Differences between expected and actual experience	(13,147,177)
Changes in assumptions or other inputs	-
Benefit payments	(6,067,492)
Net changes	(840,087)
Balance at June 30, 2018	$ 269,316,357

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2017 to 3.87% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$309,969,625	$269,316,357	$235,945,149

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.00%) or 1 percentage higher (8.00%) than the current healthcare cost trend rate:

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	1% Decrease (6.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
Total OPEB liability	$227,406,688	$269,316,357	$322,385,704

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

For the year ended June 30, 2018, the District recognized OPEB expense (credit) of $16,318,730. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,091,324
Changes of assumptions or other inputs	-	-
	$ -	$ 11,091,324

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

Fiscal Year Ending June 30,	Amount
2019	$ (2,055,852)
2020	(2,055,852)
2021	(2,055,852)
2022	(2,055,852)
2023	(2,055,852)
Thereafter	(812,064)
	$ (11,091,324)

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E) Restatement of Net Position:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of GASB Statement No. 75 resulted in the reporting of total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	$ (65,448,075)
Removal of beginning net OPEB liability	116,953,380
Addition of beginning total OPEB liability	(270,156,444)
Total reduction to opening net position	(153,203,064)
Net position beginning of year, as restated	$ (218,651,139)

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self Insured Plans:

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. As of June 30, 2018, the District has incurred but unpaid claims liability in the amount of $3,044,250 and has a restricted fund balance for workers' compensation in the amount of $1,818,386.

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

	2018	2017
Unpaid claims at beginning of year	$2,192,033	$2,625,806
Incurred claims and claim adjustment expenses	14,839,831	7,919,424
Claims payments	(13,987,614)	(8,353,197)
Unpaid claims at year end	$3,044,250	$2,192,033

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NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

General Fund		
General support	$	57,417
Instruction		195
Total General Fund		57,612
Capital Projects Fund		
Capital Projects		546,914
Total - All Funds	$	604,526

B) Grants:

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

C) Building Aid Penalty:

Section 31 of Chapter 57 of the Laws of 2012 provides for amnesty for late filed construction final cost reports. Under this provision, rather than losing all aid associated with projects, a late filing penalty is assessed. By Memorandum and Order dated October 30, 2014, the Appellate Division found that the District would be allowed to receive building aid but would be subject to the 2012 Amnesty Legislation that imposes a penalty provision. The total estimated loss of building aid will be approximately $3,929,000. The June 2014 State aid payment was reduced by $2,104,606 as a lump sum recoupment of prior year revisions through June 30, 2013. For fiscal year ending June 30, 2016, building aid was reduced by an estimated $187,000. For fiscal year ending June 30, 2017, building aid was reduced by an estimated $271,000. For fiscal year ending June 30, 2018, building aid was reduced by an estimated $300,000. The balance of payments due will be recouped on an amortized basis from future aid payments. The final recoupment payment scheduled to be made is in fiscal year 2023-24.

D) Litigation:

The District is involved in lawsuits arising from the normal conduct of its affairs. 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.

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

E) Operating Leases:

The District leases various equipment under non-cancelable leases. Lease expense for the fiscal year was approximately $328,266. The following is a summary of obligations of government activities under operating lease payments:

Fiscal Year Ended June 30,	Total
2019	$ 291,248
2020	80,891
2021	927
2022	116
Total Lease Payments	$ 373,182

NOTE 19 – TAX ABATEMENTS:

Suffolk County Industrial Development Agency and the Town of Islip Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-a and 898-b, respectively, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the County and Town.

Related to agreements with the Town of Islip IDA, the District's property tax revenue was reduced by $5,614,165 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $3,383,506 for these programs.

Related to agreements with the Suffolk County IDA, the District's property tax revenue was reduced by $724,407 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $539,344 for these programs during the fiscal year.

NOTE 20 – SUBSEQUENT EVENTS:

On August 16, 2018 the District issued serial bonds with a par value of $17,900,000 and a premium of $27,922. The bond was used to retire the bond anticipation note issued as short-term financing for district-wide capital improvement.

SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	$90,494,353	$80,841,397	$80,847,400	6,003
Other real property tax items	3,850,000	13,896,540	13,862,763	(33,777)
Charges for services	4,070,000	631,746	652,931	21,185
Use of money & property		437,232	512,463	75,231
Sale of property & compensation for loss	100,000	1,056,695	1,198,780	142,085
Miscellaneous		1,018,115	1,160,465	142,350
Interfund revenues		20,000	50,861	30,861
State Sources				
Basic formula	102,434,322	71,794,268	72,064,776	270,508
Excess cost aid		13,211,658	13,597,892	386,234
Lottery grant		13,485,499	13,485,499	-
BOCES aid		4,403,328	4,403,328	-
Tuition		19,070	23,516	4,446
Textbook aid		462,505	462,505	-
Computer software aid		259,978	259,978	-
Library A/V loan program aid		47,618	47,618	-
Other state aid		1,363,026	1,363,026	-
Federal Sources				
Medicaid reimbursement	625,000	425,000	648,077	223,077
TOTAL REVENUES AND OTHER SOURCES	201,573,675	203,373,675	$204,641,878	$1,268,203
Appropriated Fund Balance	2,050,000	2,050,000		
Appropriated Reserves	75,558	675,558		
TOTAL REVENUES, APPROPRIATED FUND BALANCE & RESERVES	$203,699,233	$206,099,233		

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.

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	$69,803	$46,740	$46,738		$2
Central administration	559,908	503,724	503,724		-
Finance	1,996,898	1,782,944	1,770,078	$12,865	1
Staff	1,022,119	1,020,854	1,020,854		-
Central services	18,202,904	17,654,463	17,609,833	44,552	78
Special items	1,475,616	1,417,181	1,417,181		-
Instructional					
Instruction, adm. & imp.	7,457,028	6,968,279	6,968,231		48
Teaching - regular school	42,921,376	42,198,418	42,197,193	195	1,030
Programs for children with handicapping conditions	47,501,277	48,485,986	48,468,548		17,438
Occupational education	1,899,721	1,768,981	1,768,819		162
Teaching special schools	350,000	195,000	195,000		-
Instructional media	2,241,037	2,155,688	2,155,116		572
Pupil services	8,695,908	8,770,244	8,769,116		1,128
Pupil transportation	11,460,000	11,765,714	11,765,714		-
Community services	5,000				-
Employee benefits	50,931,686	54,398,865	54,398,665		200
Debt service principal	4,710,613	4,710,613	4,710,612		1
Debt service - interest	1,913,339	1,975,527	1,975,526		1
TOTAL EXPENDITURES	203,414,233	205,819,221	205,740,948	57,612	20,661
Other Financing Uses					
Transfers to other funds	285,000	280,012	280,012		-
TOTAL EXPENDITURES AND OTHER USES	$203,699,233	$206,099,233	206,020,960	$57,612	20,661
Change in fund balances			(1,379,082)		
Fund balances - beginning of year			29,182,582		
Fund balances - end of year			$27,803,500		

Note to Required Supplementary Information

Budget Basis of accounting

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

See Paragraph on Supplementary Schedules Included in Auditor's Report

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total OPEB Liability	
Service cost	$ 8,507,037
Interest	9,867,545
Changes of benefit terms	-
Differences between expected and actual experience	(13,147,177)
Changes of assumptions or other inputs	-
Benefit payments	(6,067,492)
Net change in total OPEB liability	(840,087)
Total OPEB liability - beginning	270,156,444
Total OPEB liability - ending	$ 269,316,357
Covered-employee payroll	$ 76,457,106
Total OPEB liability as a percentage of covered-employee payroll	352.25%

Notes to Schedule:

Trust Assets

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

Changes of Assumptions

The discount rate was 3.87% as of June 30, 2018.
The discount rate was 3.50% as of June 30, 2017.

See Paragraph on Required Supplementary Information Included in Auditor's Report

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY)/ASSET
FOR THE FISCAL YEARS ENDED JUNE 30*

NYSERS Pension Plan

	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)	0.0850106%	0.0833981%	0.0824660%	0.0797316%	0.0797316%
District's proportionate share of the net pension (liability)	$ (2,743,669)	$ (7,836,274)	$ (13,236,016)	$ (2,693,528)	$ (3,602,959)
District's covered payroll	$ 26,364,176	$ 27,067,398	$ 25,702,853	$ 24,176,941	$ 22,920,445
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	10.41%	28.95%	51.50%	11.14%	15.72%
Plan fiduciary net position as a percentage of the total pension (liability)	98.24%	94.70%	90.68%	97.95%	97.20%

NYTRS Pension Plan

	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	0.506470%	0.492860%	0.500747%	0.475596%	0.446103%
District's proportionate share of the net pension asset (liability)	$ 3,849,673	$ (5,278,734)	$ 52,011,658	$ 52,978,484	$ 2,936,488
District's covered payroll	$ 81,519,061	$ 76,559,914	$ 75,523,165	$ 70,952,614	$ 65,955,700
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	4.72%	6.89%	68.87%	74.67%	4.45%
Plan fiduciary net position as a percentage of the total pension asset (liability)	100.66%	99.01%	110.46%	111.48%	100.70%

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

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

NYSERS Pension Plan

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 4,158,078	$ 3,991,824	$ 4,629,915	$ 4,690,236	$ 4,776,707	$ 4,864,099	$ 3,044,612	$ 2,554,979	$ 1,948,150	$ 1,590,761
Contributions in relation to the contractually required contribution	4,158,078	3,991,824	4,629,915	4,690,236	4,776,707	4,864,099	3,044,612	2,554,979	1,948,150	1,590,761
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	26,129,100	27,035,672	$ 26,183,395	$ 24,685,374	$ 23,029,198	$ 22,580,979	$ 21,042,554	$ 20,161,094	$ 22,455,870	$ 19,847,693
Contributions as a percentage of covered employee payroll	15.91%	14.77%	17.68%	19.00%	20.74%	21.54%	14.47%	12.67%	8.68%	8.01%

NYTRS Pension Plan

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 8,062,837	$ 9,383,918	$ 10,079,951	$ 13,185,891	$ 11,416,114	$ 7,736,778	$ 6,894,879	$ 5,787,950	$ 4,451,426	$ 4,390,739
Contributions in relation to the contractually required contribution	8,062,837	9,383,918	10,079,951	13,185,891	11,416,114	7,736,778	6,894,879	5,787,950	4,451,426	4,390,739
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 82,702,105	$ 81,519,061	$ 76,559,914	$ 75,523,165	$ 70,952,614	$ 65,955,700	$ 62,236,599	$ 66,595,541	$ 72,144,444	$ 57,591,912
Contributions as a percentage of covered employee payroll	9.75%	11.51%	13.17%	17.46%	16.09%	11.73%	11.08%	8.69%	6.17%	7.62%

See Paragraph on Supplementary Schedules Included in Auditor's Report

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$203,623,675
Add: Prior year's encumbrances	75,558
Original Budget	203,699,233
Budget revisions:	
Unanticipated retiree expenditures	1,800,000
Appropriated reserves - employee benefit accrued liability	600,000
Final Budget	$206,099,233

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter approved expenditure budget		$210,833,025
Maximum allowed (4% of the 2018-2019 budget)		$8,433,321
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$57,612	
Unassigned fund balance	8,393,952	
Total unrestricted fund balance		$8,451,564
Less:		
Appropriated fund balance		
Encumbrances included in assigned fund balance	57,612	
Total adjustments		57,612
General fund fund Balance Subject to Section 1318 of Real Property Tax Law		$8,393,952
Actual percentage		3.98%

See Paragraph on Supplementary Schedules Included in Auditor's Report

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2018

			Expenditures to Date				Methods of Financing				Fund
Project Title	Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2018
Non-aidable	$511,467	$511,467	$408,890		$408,890	$102,577	$511,467			$511,467	$102,577
Capital project	16,800,000	16,800,000	16,406,107		16,406,107	393,893	12,525,000	$3,316,280	$850,005	16,691,285	285,178
Capital project	24,890,000	24,890,000	21,452,636	$2,415,202	23,867,838	1,022,162			5,202,555	5,202,555	(18,665,283) *
TOTAL	$42,201,467	$42,201,467	$38,267,633	$2,415,202	$40,682,835	$1,518,632	$13,036,467	$3,316,280	$6,052,560	$22,405,307	($18,277,528) *

* The negative fund balance will be eliminated once permanent financing is obtained.

See Paragraph on Supplementary Schedules Included in Auditor's Report

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018

Capital assets, net		$95,528,983
Add:		
Unamortized deferred charge on refunding		306,223
Deduct:		
Bond anticipation note payable		17,000,000
Short-term portion of bonds payable	$4,005,000	
Long-term portion of bonds payable	21,565,000	
Less: unspent bond proceeds	(387,755)	25,182,245
Unamortized gain on defeasance/premium		2,156,075
Short-term portion of energy performance debt	$799,846	
Long-term portion of energy performance debt	6,834,800	7,634,646
Net investment in capital assets		$43,862,240

See Paragraph on Supplementary Schedules Included in Auditor's Report

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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

To the Board of Education
Central Islip Union Free School District

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

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 30, 2018

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

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

October 24, 2019

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

Ladies and Gentlemen:

We have acted as Bond Counsel to Central Islip Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $16,000,000 Tax Anticipation Note for 2019-2020 Taxes (the "Note"), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

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

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

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

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the

requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

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

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

Very truly yours,

APPENDIX E

FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

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

"Issuer" shall mean the Central Islip Union Free School District, in the County of Suffolk, a school district of the State of New York.

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

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of October 24, 2019.

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

"Securities" shall mean the Issuer's $16,000,000 Tax Anticipation Note for 2019-2020 Taxes, dated October 24, 2019, maturing on June 25, 2020, and delivered on the date hereof.

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

(1) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(9) defeasances;

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

(11) rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **October 24, 2019.**

CENTRAL ISLIP UNION FREE SCHOOL DISTRICT

By_____

President of the Board of Education