

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2020

REFUNDING SERIAL BONDS

BOOK-ENTRY-ONLY BONDS
RATING – MOODY’S INVESTOR SERVICE: “ ”
See “Bond Rating”, herein

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 Bonds 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 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds 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 Bonds as “qualified tax-exempt obligations” pursuant to the provision of Section 265(b)(3) of the Code.

COMMACK UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the “District”)

\$5,515,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020
(the “Bonds”)

See Bond Maturity Schedule Herein

The Bonds are 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 interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount.

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

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. (See “Book-Entry-Only System” under “THE BONDS,” herein.)

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on June 17, 2020 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC on or about July 9, 2020 in New York, New York.

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

June , 2020

*Preliminary, subject to change.

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

\$5,515,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: September 1, 2021-2028, inclusive
Interest Due: March 1, 2021, September 1, 2021
and semiannually thereafter on
March 1 and September 1 in each
year until maturity.

<u>Amount**</u>	<u>Maturity</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP #</u>
\$ 695,000	September 1, 2021			
690,000	September 1, 2022			
710,000	September 1, 2023			
700,000	September 1, 2024			
690,000	September 1, 2025			
675,000	September 1, 2026			
685,000	September 1, 2027			
670,000	September 1, 2028			

*Preliminary, subject to change

**Amounts are subject to adjustment by the District following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 21.00 of the Local Finance Law and to effectuate the District's plan of refunding.



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

Hubbs Administration Center
480 Clay Pitts Road
East Northport, New York 11731
Telephone: 631/912-2005
Fax: 631/912-2006

BOARD OF EDUCATION

Steven Hartman, President
Jarrett Behar, Vice President

William Hender
Susan Hermer
Justine Varughese

Dr. Donald A. James, Superintendent of Schools
Laura A. Newman, Assistant Superintendent for Business and Operations
Brian Grodotzke, District Treasurer
Debbie Virga, District Clerk

School District Attorney

Lamb & Barnosky, LLP
Melville, 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 District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor 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
COMMACK UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

\$5,515,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2020

[BOOK-ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the Commack Union Free School District, in the County of Suffolk, in the State of New York (the "District", "County" and "State," respectively) in connection with the sale of \$5,515,000* School District Refunding Serial Bonds - 2020 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery, and will mature on September 1 in each of the years 2021 to 2028, inclusive, in the principal amounts as set forth on the inside cover page hereof. Interest on the Bonds will be payable March 1, 2021, September 1, 2021 and semiannually thereafter on March 1 and September 1 in each year until maturity.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. (See "*Book-Entry-Only System*" under "THE BONDS," herein.)

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

The District will act as Paying Agent for the Bonds. The District's contact information is as follows: Laura A. Newman, Assistant Superintendent for Business and Operations Commack Union Free School District, Hubbs Administration Center, 480 Clay Pitts Road, East Northport, New York, 11731 telephone number (631) 912-2005 and email: lnewman@commack.k12.ny.us

Optional Redemption

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

Description of Book-Entry System

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

*Preliminary, subject to change

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

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with Direct Participant, the “Participants”). Effective August 9, 2011, Standard & Poor’s assigns a rating of “AA+” to DTC. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the District takes no responsibility for the accuracy thereof. In addition, the District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

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

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

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, and a replacement book-entry securities depository is not appointed, the Bonds will be issued in registered form in denominations of \$5,000, or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the President of the Board authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law, and the refunding bond resolution duly adopted by the Board of Education of the District on February 13, 2020 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the School District Serial Bonds – 2013 (the "2013 Bonds"), maturing in each of the years 2020 to 2028. The Bonds will refund the 2013 Bonds maturing in each of the years 2020 through 2028, inclusive (the "Refunded Bonds").

Summary of Refunded Bonds^a
(the “Refunded Bonds”)

2013 Bonds <u>Maturity Date</u>	<u>Par Amount</u>	Interest <u>Rate (%)</u>	<u>Call Date</u>	<u>Call Price (%)</u>	<u>CUSIP Numbers</u>
09/01/2021	\$ 675,000	3.000	09/01/2020	100.00	200489KH4
09/01/2022	675,000	3.000	09/01/2020	100.00	200489KJ0
09/01/2023	700,000	3.125	09/01/2020	100.00	200489KK7
09/01/2024	700,000	3.375	09/01/2020	100.00	200489KL5
09/01/2025	700,000	3.500	09/01/2020	100.00	200489KM3
09/01/2026	700,000	4.000	09/01/2020	100.00	200489KN1
09/01/2027	725,000	4.000	09/01/2020	100.00	200489KP6
09/01/2028	725,000	4.000	09/01/2020	100.00	200489KQ4

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of all or a portion of the Refunded Bonds.

a. Preliminary, subject to change.

For further information regarding bond authorizations of the District for capital purposes and other matters relating thereto. (See “*Indebtedness of the District*,” herein.)

Refunding Financial Plan

Pursuant to the District’s Refunding Financial Plan, as referred to in the Refunding Bond Resolution, the Bonds are being issued to effect the refunding of the Refunded Bonds maturing on their principal payment dates as set forth above. The Refunding Financial Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present-value debt service savings.

The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds), will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by U.S. Bank Global Corporate Trust Services, New York (the “Escrow Holder”), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premiums, if any, of the Refunded Bonds on the dates of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond Resolution of the District and Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all cash on deposit in the Escrow Fund. Upon payment by the Escrow Holder to the fiscal agent for the Refunded Bonds of amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds to be paid from the Escrow Fund, including interest and redemption premium, if any, payable with respect thereto, and payment of all expenses incidental to the issuance of the Bonds, such Escrow Contract shall terminate.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from *ad valorem* taxes on all taxable real property in the District. However, inasmuch as the funds held in the Escrow Fund together with interest earnings thereon and cash held in the Escrow Fund shall be sufficient to meet all required payments of principal of, and interest on the Refunded Bonds, it is not anticipated that other sources of payment will be utilized.

Sources and Uses of Bond Proceeds

Sources:

Par Amount of Bonds	\$
Original Issue Premium/Discount
Total.....	\$

Uses:

Escrow Deposit.....	\$
Underwriter's Discount
Allowance for Costs of Issuance and Contingency
Total.....	\$

Security and Source of Payment

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

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest thereon. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property in the District subject to taxation without limitation as to rate or amount.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. Chapter 97 of the New York Laws of 2011, as amended, (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 above a certain specified amount. However, the Tax Levy Limit Law expressly provides an exception from the annual tax levy limitation for any taxes levied to pay debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or notes. As the Bonds are being issued to refinance bonds issued to finance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law annual tax levy limitation. (See "*The Tax Levy Limit Law*," herein.)

REMEDIES UPON DEFAULT

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the District default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. The Bonds 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 Bonds 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 Bonds, the owner of such Bonds 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 Bonds 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 Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. 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 Bonds 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 Bondholders, 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.

Such 99-b of the SFL is applicable to the Bonds.

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 Bonds.

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 is situated in the towns of Huntington and Smithtown, Suffolk County, New York, and is approximately 40 miles from New York City. It has an area of approximately 14.6 square miles. It is largely residential in character, but there are shopping and commercial centers located within the District and in the outlying area. School, hospital, banking, recreation, water, gas and electric facilities are available to the residents of the District. Police protection is furnished by the Suffolk County Police Department and fire protection is furnished by the Commack Fire Department, Dix Hills Fire Department, and East Northport Fire Department.

The District is largely suburban in character due to its proximity to New York City. The District includes the unincorporated area of Commack, and parts of the unincorporated areas of East Northport, Dix Hills and Smithtown.

The District is located one mile from the Long Island Rail Road. Major highways serving the area are the Long Island Expressway (I-495), Jericho Turnpike (NY25), Northern State Parkway and Sagtikos State Parkway.

Water, electric, gas, telephone, fire and police protection are provided to residents of the District by the following:

Greenlawn Water District
Suffolk County Water Authority
Keyspan Energy Corp.
Verizon
Various Fire Districts
Suffolk County Police Department

District Organization

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

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District held on the third Tuesday in May. Pursuant to a recent Executive Order, school district elections and budget notes that normally would have been held May 19, 2020, have been postponed until June 9, 2020. The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

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

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2015-16	6,528
2016-17	6,253
2017-18	6,144
2018-19	5,981
2019-20	5,881

Source: District Officials.

Projected Future Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2020-21	5,683
2021-22	5,415

Source: District Officials.

District Facilities

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

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Date of Last Addition</u>	<u>Capacity</u>
Indian Hollow School	Primary	1963	2002	690
North Ridge School	Primary	1962	2002	780
Rolling Hills School	Primary	1967	-	690
Wood Park School	Primary	1961	2002	780
Sawmill Intermediate School	Intermediate	1972	2002	1,000
Burr Intermediate School	Intermediate	1972	2002	1,000
Commack High School	High School	1962	2002	2,100
Commack Middle School	Middle School	1968	2002	2,000
Grace L. Hubbs Administration	Administration	1964	2002	510

Leased Schools:

Long Acres	Elementary	1963	-	780
Smiths Lane	Elementary	1962	-	670
Sagtikos	Elementary	1967	-	510
Cedar Road	Elementary	1961	-	700
Old Farms	Elementary	1961	-	510

Employees

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

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Commack Teachers Association	06/30/2021	693
Commack Schools Secretarial Association	06/30/2020 ^a	68
Commack Administrative & Supervisory Association	06/30/2023	27
Commack Teachers Aides Association	06/30/2022	211
Service Employees International Association (Custodians)	06/30/2020 ^a	85

Source: District Officials

a. In negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the District, the Towns of Huntington and Smithtown and Suffolk County.

<u>Year</u>	<u>District^a</u>	<u>Town of Huntington</u>	<u>Town of Smithtown</u>	<u>Suffolk County</u>
2006	38,030	201,708	120,881	1,507,211
2007	38,045	201,894	121,208	1,511,732
2008	38,052	201,773	121,233	1,513,435
2009	38,148	202,197	121,817	1,518,475
2010	38,148	203,264	117,801	1,493,350
2018	38,642	201,546	116,384	1,481,093

a. Estimated.

Income Data

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

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Town of Smithtown	\$21,465	\$31,401	\$43,022	\$55,507
Town of Huntington	24,810	36,390	45,590	60,027
Suffolk County	18,481	26,577	35,411	43,905
State of New York	16,501	23,389	30,791	38,884

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Town of Smithtown	\$60,068	\$80,421	\$104,076	\$131,163
Town of Huntington	60,530	82,528	101,495	127,668
Suffolk County	49,128	65,288	84,235	100,468
New York State	32,965	43,393	55,217	67,844

Source: United States Bureau of the Census

a. Based on American Community Survey 1-Year Estimate (2018)

Major Employers in the District

<u>Company</u>	<u>Product or Type</u>	<u>Employment Code</u>
Commack UFSD	School System	A
ABC Sunray Co.	Oil Burners	D
Tempo Instruments & Controls Corp.	Solid State Controls	D
Thermal Profiles, Inc.	Molded Plastic Products	D

<u>Employment Code</u>	<u>Number of Employees</u>
A	More than 1,000
B	500 to 1,000
C	250 to 499
D	100 to 249

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest areas for which such statistics are available are the towns of Smithtown and Huntington, the County of Suffolk and the State. The information set forth below 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 these areas vice versa.

<u>Annual Averages:</u>	<u>Town of Smithtown</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>New York State</u>
2015	4.2	4.3	5	5.5
2016	3.6	3.7	4.3	4.9
2017	3.8	4.0	4.4	4.6
2018	3.3	3.4	3.9	4.1
2019	3.3	3.3	3.7	4.0
2020 (3 Months) ^a	3.4	3.6	4.1	4.1

Source: Department of Labor, State of New York

a. The above table includes unemployment rates released before the COVID-19 pandemic occurred.

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 Bonds:

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes 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 maturity of the several objects or purposes for which 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 District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 until the plans and specifications for such project have been approved by the Commissioner of Education of the State.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Bonds.

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 Bonds. However, such finance board may delegate the power to sell the Bonds 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.

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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 June 8, 2020)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Huntington (2019-2020) ^a	\$19,664,891	0.76%	\$2,587,485,658
Smithtown (2019-2020) ^a	47,293,935	1.16%	<u>4,077,063,362</u>
Total			\$6,664,549,020
Debt Limit - 10% of Full Valuation			\$666,454,902
Inclusions ^b :			
Outstanding Bonds			\$31,565,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>31,565,000</u>
Exclusions (Estimated Building Aid) ^c			<u>20,106,905</u>
Total Net Indebtedness			<u>11,458,095</u>
Net Debt Contracting Margin			<u><u>\$654,996,807</u></u>
Per Cent of Debt Contracting Margin Exhausted			1.72%

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

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has tax anticipation notes outstanding in the amount of \$36,000,000 that mature on June 25, 2020. Such notes are expected to be paid in full at maturity with the District's tax levy from the current fiscal year.

Trend of Outstanding Indebtedness

As at June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$61,590,000	\$55,180,000	\$49,455,000	\$43,545,000	\$37,430,000
BANs	-	-	-	-	-
Other	-	-	-	-	-
Totals:	<u>\$61,590,000</u>	<u>\$55,180,000</u>	<u>\$49,455,000</u>	<u>\$43,545,000</u>	<u>\$37,430,000</u>

Source: Audited Financial Statements.

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,865,000	\$ 1,342,275	\$ 7,207,275
2021	6,105,000	1,109,625	7,214,625
2022	6,350,000	867,275	7,217,275
2023	6,590,000	615,225	7,205,225
2024	5,330,000	383,263	5,713,263
2025	4,340,000	195,113	4,535,113
2026	700,000	98,250	798,250
2027	700,000	72,000	772,000
2028	725,000	43,500	768,500
2029	<u>725,000</u>	<u>14,500</u>	<u>739,500</u>
Totals:	<u>\$37,430,000</u>	<u>\$4,741,026</u>	<u>\$42,171,026</u>

Source: Audited Financial Statements.

Debt Service Requirements – 2014 Energy Performance Contract

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,172,715	\$ 239,747	\$ 1,412,462
2021	1,197,914	214,548	1,412,462
2022	1,223,655	188,807	1,412,462
2023	1,249,948	162,514	1,412,462
2024	1,276,807	135,655	1,412,462
2025	1,304,242	108,220	1,412,462
2026	1,332,268	80,194	1,412,462
2027	1,360,895	51,567	1,412,462
2028	<u>1,390,141</u>	<u>22,321</u>	<u>1,412,462</u>
Totals:	<u>\$11,508,585</u>	<u>\$1,203,573</u>	<u>\$12,712,158</u>

Source: Audited Financial Statements.

Debt Service Requirements – 2015 Energy Performance Contract

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	\$ 156,503	\$ 57,890	\$ 214,393
2021	162,236	52,158	214,394
2022	168,179	46,215	214,394
2023	174,339	40,055	214,394
2024	180,725	33,669	214,394
2025	187,345	27,049	214,394
2026	194,207	20,187	214,394
2027	201,321	13,073	214,394
2028	208,695	5,699	214,394
Totals:	<u>\$1,633,550</u>	<u>\$295,995</u>	<u>\$1,929,545</u>

Source: Audited Financial Statements.

Debt Service Requirements – 2019 Taxable Energy Performance Contract

Fiscal Year Ending June 30:	Principal	Interest	Total
2021	\$ 43,714	\$ 42,397	\$ 86,111
2022	58,802	27,309	86,111
2023	60,519	25,592	86,111
2024	62,287	23,824	86,111
2025	64,106	22,005	86,111
2026	65,978	20,133	86,111
2027	67,906	18,205	86,111
2028	69,889	16,222	86,111
2029	71,931	14,180	86,111
2030	74,033	12,078	86,111
2031	76,195	9,916	86,111
2032	78,420	7,691	86,111
2033	80,712	5,399	86,111
2034	83,068	3,043	86,111
2035	42,440	615	43,055
Totals:	<u>\$1,000,000</u>	<u>\$248,609</u>	<u>\$1,248,609</u>

Debt Service Requirements – 2019 Tax-Exempt Energy Performance Contract

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$661,737	\$452,705	\$1,114,442
2022	824,209	290,233	1,114,442
2023	843,192	271,250	1,114,442
2024	862,611	251,831	1,114,442
2025	882,478	231,964	1,114,442
2026	902,803	211,639	1,114,442
2027	923,595	190,847	1,114,442
2028	944,867	169,575	1,114,442
2029	966,628	147,814	1,114,442
2030	988,890	125,552	1,114,442
2031	1,011,665	102,777	1,114,442
2032	1,034,966	79,476	1,114,442
2033	1,058,802	55,640	1,114,442
2034	1,083,188	31,254	1,114,442
2035	<u>550,913</u>	<u>6,308</u>	<u>557,221</u>
Totals:	<u>\$13,540,544</u>	<u>\$2,618,865</u>	<u>\$16,159,409</u>

Revenue and Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes and revenues, which borrowing is necessitated by the schedule of real property tax and State aid revenue payments. The following is a history of such tax and revenue anticipation note borrowings for the five most recent fiscal years:

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2016	\$25,000,000	TAN	10/20/15	06/27/16
2017	\$26,000,000	TAN	10/06/16	06/27/17
2018	\$28,500,000	TAN	10/10/17	06/27/18
2019	\$32,000,000	TAN	09/20/18	06/26/19
2020	\$36,000,000	TAN	10/03/19	06/25/20

Authorized and Unissued Debt

The District has authorized and unissued debt in the amount of \$67,523,998 outstanding. See “*Capital Project Plans*” herein.

Capital Project Plans

On December 3, 2019, the District passed a bond referendum in the amount of \$67,523,998 for projects focusing on safety and security, academic expansion and preserving District facilities.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/26/20	2.85	\$56,074,131	\$38,280,868
Town of Huntington	10/04/19	6.79	7,662,497	5,295,977
Town of Smithtown	02/14/20	20.29	5,940,356	5,173,925
Fire Districts (Est.)	12/31/18	Var.	<u>1,125,000</u>	<u>1,125,000</u>
Totals			<u>\$70,801,984</u>	<u>\$49,875,770</u>

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

Debt Ratios (As of June 8, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$31,565,000	\$817	0.474
Net Direct Debt	\$11,458,095	\$297	0.172
Total Direct & Applicable Total Overlapping Debt	\$102,366,984	\$2,649	1.536
Net Direct & Applicable Net Overlapping Debt	\$61,333,865	\$1,587	0.920

a. The current population of the District is 38,642.

b. The 2018-2019 full valuation of taxable property is \$6,664,549,020.

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, 2019. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall 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. Due to the COVID-19 pandemic the District's Budget vote was postponed until June 9, 2020 and is being held using absentee ballots. Summaries of the District's Budgets for the fiscal years 2019-2020 and 2020-2021 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.

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. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See "*Event Affecting New York School Districts*" herein).

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 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 general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

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

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.

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 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 increases established in more recent years. However, as discussed below the COVID-19 outbreak has affected and is expected to continue to affect State aid to school district.

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 Budget included 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 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 approximately 4.5% and building aid increased by approximately 3.7%. The State 2019-2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget is 3.7 percent lower than in the State's 2019-2020 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflects current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

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 \$3,504,794.

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 or during the next fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2019, and for the 2020 and 2021 budgets.

<u>Fiscal Year Ending June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2015	173,824,411	36,784,191	21.16
2016	183,006,721	37,608,710	20.55
2017	178,665,559	39,633,711	22.18
2018	181,106,613	39,788,677	21.97
2019	186,804,530	39,709,719	21.26
2020 (Budgeted)	197,062,213	40,909,274	20.75
2021 (Proposed Budget) ^a	199,759,525	40,836,309	20.44

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

a. Proposed budget subject to voter approval June 9, 2020.

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: 10.0%, Environmental Score: 10%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released July, 2016. The purpose of such audit was to examine the District’s financial condition and controls over fuel inventories from the period July 1, 2013 through November 30, 2014. The complete report and the District’s response may be found on the OSC’s official website. Reference to this website implies no warranty of accuracy of information therein.

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

Employee Pension System

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2015	\$13,858,727	\$2,551,757
2016	10,689,313	2,542,812
2017	9,474,674	2,198,187
2018	7,975,828	2,265,479
2019	8,773,932	2,259,189
2020 (Budgeted)	7,327,647	2,765,955
2021 (Proposed Budget) ^a	7,881,016	2,497,084

Source: District Officials.

a. Proposed budget subject to voter approval on June 9, 2020.

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, 2019 is as follows:

Total OPEB Liability at June 30, 2018	<u>\$201,068,427</u>
Charges for the Year:	
Service Cost	8,926,090
Interest	6,244,943
Changes of Benefit Terms	1,326,997
Differences Between Expected and Actual Experience	(34,378,815)
Benefit Payments	<u>(3,686,753)</u>
Net Changes	<u>(21,567,538)</u>
Total OPEB Liability at June 30, 2019	<u><u>\$179,500,889</u></u>

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

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

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of Huntington and Smithtown. 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 2015 through 2019, inclusive and for the amounts budgeted for the 2020 and 2021 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2015	\$173,824,411	115,402,140	66.39
2016	183,006,721	116,606,123	63.72
2017	178,665,559	118,469,964	66.31
2018	181,106,613	121,143,911	66.89
2019	186,804,530	125,384,628	67.12
2020 (Budgeted) ^a	197,062,213	142,545,140	72.34
2021 (Proposed Budget) ^a	199,759,525	145,379,230	72.78

Source: Audited Financial Statements of the District and Adopted and Proposed 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 distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County’s liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

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

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

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

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

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 12% of the District's 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 12% of the District's 2020-2021 school tax levy is exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2021. (See "State Aid" herein).

The State's 2019-2020 Enacted Budget included changes to the STAR program. For those homeowners with incomes over \$250,000, the STAR exemption benefit was capped at the 2019 fiscal year level, rather than allowed to grow by up to 2% annually under the STAR credit program. Those homeowners with incomes between \$250,000 and \$500,000 are able to convert to the credit program to maintain the full STAR benefit.

The State's 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to \$250,000, compared with a \$500,000 limit for the credit.

Valuations, Rates and Levies

The following table sets forth the District's assessed and full valuations, tax rates and levies for the years 2016-2020.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assessed Valuation:					
Town of:					
Huntington	\$ 20,036,504	\$ 19,925,010	\$ 19,815,011	\$ 19,707,467	\$ 19,664,891
Smithtown	<u>47,105,709</u>	<u>46,971,357</u>	<u>47,025,331</u>	<u>47,779,919</u>	<u>47,293,935</u>
Total Assessed Valuation	\$ <u>67,142,213</u>	\$ <u>66,896,367</u>	\$ <u>66,840,342</u>	\$ <u>67,487,386</u>	\$ <u>66,958,826</u>
Equalization Rates:					
Town of:					
Huntington	0.86%	0.85%	0.84%	0.80%	0.76%
Smithtown	1.30%	1.32%	1.23%	1.23%	1.16%
Full Valuation :					
Town of:					
Huntington	\$ 2,329,826,047	\$ 2,344,118,824	\$ 2,358,929,881	\$ 2,463,433,375	\$ 2,587,485,658
Smithtown	<u>3,623,516,077</u>	<u>3,558,436,136</u>	<u>3,823,197,642</u>	<u>3,884,546,260</u>	<u>4,077,063,362</u>
Total Full Valuation	\$ <u>5,953,342,124</u>	\$ <u>5,902,554,960</u>	\$ <u>6,182,127,523</u>	\$ <u>6,347,979,635</u>	\$ <u>6,664,549,020</u>

Real Property Taxes

Total Tax Levy	\$ 131,931,340	\$ 132,432,249	\$ 135,067,651	\$ 138,464,368	\$ 142,545,140
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Tax Rate per \$1,000 Assessed Valuation

Town of:					
Huntington	\$ 2,568.35	\$ 2,575.39	\$ 2,639.43	\$ 2,725.55	\$ 2,814.59
Smithtown	\$ 1,664.37	\$ 1,690.95	\$ 1,696.31	\$ 1,769.07	\$ 1,838.86

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

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
Long Island Power Authority	Utility	\$80,379,580
Arlona LTD Partnership	Shopping Center	37,782,481
Commack Marketing	Shopping Center	35,567,883
Commack Shopping Center Assoc.	Shopping Center	34,160,583
PJ Venture II LLC	Large Retail Outlet	24,671,532
Groton Equities.	Apartments	22,671,532
PJ Venture F.G. LLC	Large Retail Outlet	22,627,737
LG Commack Associates LLC	Commercial	22,222,222
PSEG Long Island	Utility	21,058,680
Target Corporation	Large Retail Outlet	20,437,956
PJ Venture Co. LLC	Large Retail Outlet	18,467,153
Home Box Office	Commercial	17,503,649
PJ Venture H.D. LLC	Large Retail Outlet	12,773,722
Lowe's Home Centers, Inc.	Large Retail Outlet	12,664,233
Commack CHI, LLC	Commercial	10,948,905
Total ^a		<u><u>\$393,937,848</u></u>

a. Represents 5.91% of the Assessed Valuation of the District for 2019-2020.
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

There is a personal injury claim (*H.R. v. Commack Union Free School District, et. al.*) pending against the District which poses significant liability to the District. The claim is covered by \$26 million in insurance coverage. Counsel appointed by the insurance company has advised the District that the claim should not exceed the District's insurance coverage.

The *H.R. v. Commack U.F.S.D.* (614483/2016) litigation remains pending. The note of issue was filed on October 8, 2019. Earlier this year, the District and High School filed a motion to vacate the note of issue and compel additional discovery, however that motion was denied by Justice Rebolini. Currently being briefed are two separate motions filed by plaintiff for summary judgment. One against the District, the High School and Defendant Felix Adamkiewicz, and another against Defendant Doyle Baseball, Inc. Both summary judgment motions are returnable June 19, 2020.

Other 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.

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.

BONDHOLDERS RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE

There are certain potential risks associated with an investment in the Bonds, 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. Accordingly, a decline in the District's credit rating could adversely affect the market value of the Bonds.

In addition, if and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any Bonds. The price or principal value of the Bonds is dependent on the prevailing level of interest rates. If interest rates should increase, the price of a bond or note may decline causing the bond or noteholder to potentially incur a capital loss if such bond or note is sold prior to its maturity.

The financial condition of the District as well as the market for the Bond could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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 Bonds. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the

State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “*State Aid*” and “*Events Affecting New York School Districts*” herein).

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 Bonds 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 Bonds 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 Bonds, 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 Bonds, 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 Bonds 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 Bonds 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 Bonds, 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 Bonds.

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 Bonds in order that interest on the Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. 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 Bonds.

Prospective owners of the Bonds 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 Bonds 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 Bond (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 bond 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 Bonds. In general, the issue price for each maturity of the Bonds 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 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds 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 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond 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 Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. 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 Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds 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 Bonds.

Bond Premium

In general, if an owner acquires a Bond 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 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the note premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond 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 Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond 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 Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond 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 bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. 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 Bond 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 Bonds 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 Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds 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 Bonds.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto in Appendix C.

DISCLOSURE UNDERTAKING

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

RATING

The District has applied to Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, for a rating on the Bonds and such application is pending at this time. Such rating will reflect 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

The accuracy of the mathematical computations regarding the adequacy of the cash as deposit in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds on the applicable payment date(s) will be verified by Causey Demgen & Moore, P.C. Such verification of the accuracy of the mathematical computation will be based, in part, upon factual information supplied by the District and the Purchaser or the Municipal Advisor.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Laura A. Newman, Assistant Superintendent for Business and Operations, Commack Union Free School District, Hubbs Administration Center, 480 Clay Pitts Road, East Northport, New York, 11731 telephone number (631) 912-2005 and email: lnewman@commack.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 Bonds.

The preparation and distribution of this Official Statement has been authorized by the Refunding Bond Resolution of the District which delegates to the President of the Board of Education the power to sell and issue the Bonds.

By: s/s STEVEN HARTMAN
President of the Board of Education
Commack Union Free School District
East Northport, New York

June , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Equity

General Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES					
Real Property Taxes	\$ 115,402,140	\$ 116,606,123	\$ 118,469,964	121,143,911	125,384,628
Other Tax Items	16,371,191	15,953,352	15,164,429	14,993,262	14,152,563
Charges for Services	2,612,776	2,701,413	1,962,430	1,743,730	1,574,169
Use of Money and Property	1,590,039	1,704,184	1,780,122	2,185,780	2,409,889
Sale of Property & Comp. for Loss	728,626	160,123	227,089	70,331	270,741
Miscellaneous	290,034	8,226,141	1,281,021	1,013,351	3,169,436
Interfund Revenue	31,289	15,144	18,805		
State Sources	36,784,191	37,608,710	39,633,711	39,788,677	39,709,719
Federal Sources	0	0	0	167,571	133,385
Medicaid Reimbursement	14,125	31,531	127,988		
Total Revenues	<u>173,824,411</u>	<u>183,006,721</u>	<u>178,665,559</u>	<u>181,106,613</u>	<u>186,804,530</u>
EXPENDITURES					
General Support	18,049,451	17,902,187	18,392,031	19,265,912	19,032,819
Instruction	96,886,217	100,607,373	101,136,524	103,587,672	106,248,268
Pupil Transportation	11,889,061	12,300,057	12,052,429	12,782,092	12,899,409
Employee Benefits	39,883,381	43,416,384	36,862,660	36,830,296	38,705,967
Debt Service	2,081,348	1,673,450	1,814,493	1,850,368	2,099,176
Total Expenditures	<u>168,789,458</u>	<u>175,899,451</u>	<u>170,258,137</u>	<u>174,316,340</u>	<u>178,985,639</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,034,953</u>	<u>7,107,270</u>	<u>8,407,422</u>	<u>6,790,273</u>	<u>7,818,891</u>
OTHER SOURCES AND USES					
Operating Transfers In	2,200,000	750,000	750,000	750,000	450,000
Operating Transfers (Out)	<u>(9,348,550)</u>	<u>(9,007,563)</u>	<u>(9,518,439)</u>	<u>(9,789,195)</u>	<u>(9,917,853)</u>
Total Other Sources (Uses)	<u>(7,148,550)</u>	<u>(8,257,563)</u>	<u>(8,768,439)</u>	<u>(9,039,195)</u>	<u>(9,467,853)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,113,597)	(1,150,293)	(361,017)	(2,248,922)	(1,648,962)
Fund Equity - Beginning of Year	26,010,308	23,896,711	22,746,418	24,299,645	22,050,723
Prior Period Adjustment			1,914,244 ^a		
Fund Equity - End of Year	<u>\$ 23,896,711</u>	<u>\$ 22,746,418</u>	<u>\$ 24,299,645</u>	<u>22,050,723</u>	<u>20,401,761</u>

a. During the 2017 fiscal year year it was determined that receivables due from state and federal, and accounts payable were misstated in prior periods. A net adjustment was made for \$1,914,244 to restate the fund balance in the general fund and the net position in the district-wide financial statements at June 30, 2016.

Source: Audited Annual Financial Reports of the School District (2015-2019)

Note: This schedule NOT audited

Balance Sheet - General Fund

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
ASSETS:			
Cash			
Unrestricted	\$ 21,889,441	\$ 18,621,329	\$ 20,625,492
Restricted	11,107,771	9,703,810	7,466,380
Receivable			
Accounts Receivable	4,153,716	3,644,152	1,631,263
State and Federal Aid	2,456,678	3,014,628	3,932,333
Due from Other Governments	1,631,109	1,398,300	1,453,777
Due from Fiduciary Fund		229,012	98,034
Due from Other Funds	<u>3,154,077</u>	<u>1,145,636</u>	<u>1,134,660</u>
 Total Assets	 <u>\$ 44,392,792</u>	 <u>\$ 37,756,867</u>	 <u>\$ 36,341,939</u>
LIABILITIES:			
Payables			
Accounts Payable	\$ 1,591,796	\$ 1,389,964	\$ 1,733,243
Accrued Liabilities	205,016	989,200	1,977,393
Due to Other Funds	2,407,542		
Due to Teachers' Retirement System	9,842,000	8,283,135	9,075,621
Due to Employees' Retirement System	608,096	618,047	616,007
Compensated Absences	310,446		
Collections in Advance	114,930	129,797	146,043
Unavailable Revenues	<u>5,013,321</u>	<u>4,296,001</u>	<u>2,391,871</u>
 Total Liabilities	 <u>20,093,147</u>	 <u>15,706,144</u>	 <u>15,940,178</u>
FUND BALANCES:			
Restricted	10,717,190	9,703,810	7,466,380
Assigned	8,396,868	7,031,195	7,102,967
Unassigned	<u>5,185,587</u>	<u>5,315,718</u>	<u>5,832,414</u>
 Total Fund Balances	 <u>24,299,645</u>	 <u>22,050,723</u>	 <u>20,401,761</u>
 Total Liabilities, Deferred Inflows of Resources & Fund Balances	 <u>\$ 44,392,792</u>	 <u>\$ 37,756,867</u>	 <u>\$ 36,341,939</u>

Source: Audited Annual Financial Reports of the School District

NOTE: This schedule NOT audited

Budget Summaries
General Fund
Fiscal Year Ending June 30:

	<u>2020*</u>	<u>2021**</u>
Revenues:		
Real Property Taxes	\$ 142,545,140	\$ 145,379,230
Charges for Services	1,588,300	1,566,835
Use of Money and Property	1,990,686	2,088,860
Miscellaneous	1,851,008	1,632,486
State Sources	40,498,734	40,836,309
Appropriated Fund Balance	<u>8,588,345</u>	<u>8,255,805</u>
Total Revenues	<u><u>197,062,213</u></u>	<u><u>199,759,525</u></u>
Expenditures:		
General Support	\$ 21,280,659	\$ 21,116,354
Instruction	110,019,327	110,613,268
Pupil Transportation	13,660,305	13,870,628
Employee Benefits	39,666,990	41,716,993
Debt Service	2,279,357	4,279,357
Interfund Transfers	<u>10,155,575</u>	<u>8,162,925</u>
Total Expenditures	<u><u>\$ 197,062,213</u></u>	<u><u>\$ 199,759,525</u></u>

* Approved by the voters of the District on May 21, 2019

** Pending Approval by the voters of the District on June 9, 2020

COMMACK UNION FREE SCHOOL DISTRICT

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

COMMACK UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Commack Union Free School District
Towns of Huntington and Smithtown, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Commack Union Free School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Commack Union Free School District as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-13 and 50-55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York
October 3, 2019



COMMACK UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

The following is a discussion and analysis of the Commack Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's Fund Balance Policy recognizes that the maintenance of fund balance is essential to the preservation of the financial integrity of the school district and is fiscally advantageous for both the District and the taxpayer in that it helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates. The policy establishes goals and provides guidance concerning the desired level of year-end fund balance to be maintained by the District. As a result, the District seeks to maintain the amount of Unassigned Fund Balance allowable by New York State Real Property Tax Law §1318, which restricts unassigned fund balance in the General Fund to no more than 4.00% of the District's Adopted Budget for the ensuing fiscal year. For the year-ended June 30, 2019, the balance to be maintained is \$5,832,414 or 2.96%.
- As of June 30, 2019, the District's fund level financial statements report a combined ending fund balance of \$28,979,981, which is a decrease from the prior year of \$1,177,306, primarily due to the increase in real property taxes offset by the increase in instruction and employee benefit related expenses.
- On the District-wide financial statements, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources at the close of its most recent fiscal year by \$103,408,169. The District's total net position decreased by \$3,721,858 for the year ended June 30, 2019. The unrestricted portion of net position as of June 30, 2019 was a deficit of \$159,475,908, as a result of the effect of the continued recognition of the District's total other post-employment benefits liability under the provisions of GASB Statement No. 75.
- The District continued to offer all programs, without reducing services.
- The District's residents authorized the proposed 2019-20 budget in the amount of \$197,062,213, in accordance with the New York State Tax Levy Limit.

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 financial statements that present different views of the District:

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-wide financial statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

- *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

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

District-wide Financial Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position decreased by 3.7% from the year before to a net deficit position balance of \$103,408,169 as detailed in Tables A-2 and A-3.

The restricted net position balance of \$15,411,057 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2019, the District has an unrestricted net deficit of \$159,475,908. This deficit is driven by the District's recognition of the total other post-employment benefit ("OPEB") liability of \$179,500,889 as required by GASB Statement No. 75.

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 55,496,070	\$ 52,375,743	\$ 3,120,327	6.0
Capital assets, net	91,718,014	93,027,995	(1,309,981)	(1.4)
Total assets	<u>147,214,084</u>	<u>145,403,738</u>	<u>1,810,346</u>	1.2
Deferred outflows of resources	54,071,454	58,762,004	(4,690,550)	(8.0)
Current liabilities	24,359,655	21,251,891	3,107,764	14.6
Long-term liabilities	237,490,644	266,164,979	(28,674,335)	(10.8)
Total liabilities	<u>261,850,299</u>	<u>287,416,870</u>	<u>(25,566,571)</u>	(8.9)
Deferred inflows of resources	42,843,408	16,435,183	26,408,225	160.7
Net position:				
Net investment in capital assets	40,656,682	34,366,222	6,290,460	18.3
Restricted	15,411,057	17,268,255	(1,857,198)	(10.8)
Unrestricted (deficit)	<u>(159,475,908)</u>	<u>(151,320,788)</u>	<u>(8,155,120)</u>	(5.4)
Total net position (deficit)	<u>\$ (103,408,169)</u>	<u>\$ (99,686,311)</u>	<u>\$ (3,721,858)</u>	(3.7)

As of June 30, 2019, the District had positive working capital of \$7,758,223 as compared to \$9,895,152 as of June 30, 2018. The decrease is primarily due to an increase in compensated absences due within one year.

As of June 30, 2019, the District had an investment in capital assets of \$40,656,682 as compared to \$34,366,222 as of June 30, 2018. The increase is due to the current year outlay for ongoing capital projects exceeding depreciation charges and asset disposals.

Long-term liabilities decreased \$28,674,335 primarily due to the net change in the total OPEB liability and the decrease in bonds payable, offset by the proportionate share of the net pension liabilities.

Changes in Net Position

The District's fiscal year 2019 revenues totaled \$190,840,908 (See Table A-3). Property and other taxes and State sources accounted for most of the District's (93.2%) (See Table A-4). The remainder came from charges for services, operating grants, capital grants, miscellaneous, sale of property and compensation for loss, miscellaneous sources and use of money and property.

Revenues increased 2.0% or \$3,822,439, primarily as a direct result of an increase in real property taxes of \$4,240,717 (based on changes in assessed valuation of real property).

The District's fiscal year 2019 expenses totaled \$194,562,766 (See Table A-3). These expenses (91.2%) are predominantly related to instruction and general support (See Table A-6).

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only				
	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,713,800	\$ 2,751,192	\$ (37,392)	(1.4)
Operating grants	4,870,663	3,542,018	1,328,645	37.5
Capital grants	1,329,432	194,872	1,134,560	582.2
General revenues:				
Real property taxes	125,384,628	121,143,911	4,240,717	3.5
Other tax items	14,152,563	14,993,262	(840,699)	(5.6)
Use of money and property	2,465,645	2,204,659	260,986	11.8
Sale of property and compensation for loss	270,741	70,331	200,410	285.0
State sources	38,380,303	39,788,677	(1,408,374)	(3.5)
Miscellaneous	1,273,133	2,329,547	(1,056,414)	(45.3)
Total revenues	<u>190,840,908</u>	<u>187,018,469</u>	<u>3,822,439</u>	<u>2.0</u>
Expenses				
General support	24,019,336	24,653,807	(634,471)	(2.6)
Instruction	153,442,317	153,492,320	(50,003)	(0.0)
Pupil transportation	13,423,472	13,297,518	125,954	0.9
Debt service - interest	2,156,783	2,249,841	(93,058)	(4.1)
School lunch program	1,520,858	1,361,780	159,078	11.7
Total expenses	<u>194,562,766</u>	<u>195,055,266</u>	<u>(492,500)</u>	<u>(0.3)</u>
Decrease in net position	(3,721,858)	(8,036,797)	4,314,939	53.7
Net position (deficit), beginning of year	<u>(99,686,311)</u>	<u>(91,649,514)</u>	<u>(8,036,797)</u>	<u>(8.8)</u>
Net position (deficit), end of year	<u>\$ (103,408,169)</u>	<u>\$ (99,686,311)</u>	<u>\$ (3,721,858)</u>	<u>(3.7)</u>

Table A-4: Sources of Revenues for Fiscal Year 2019

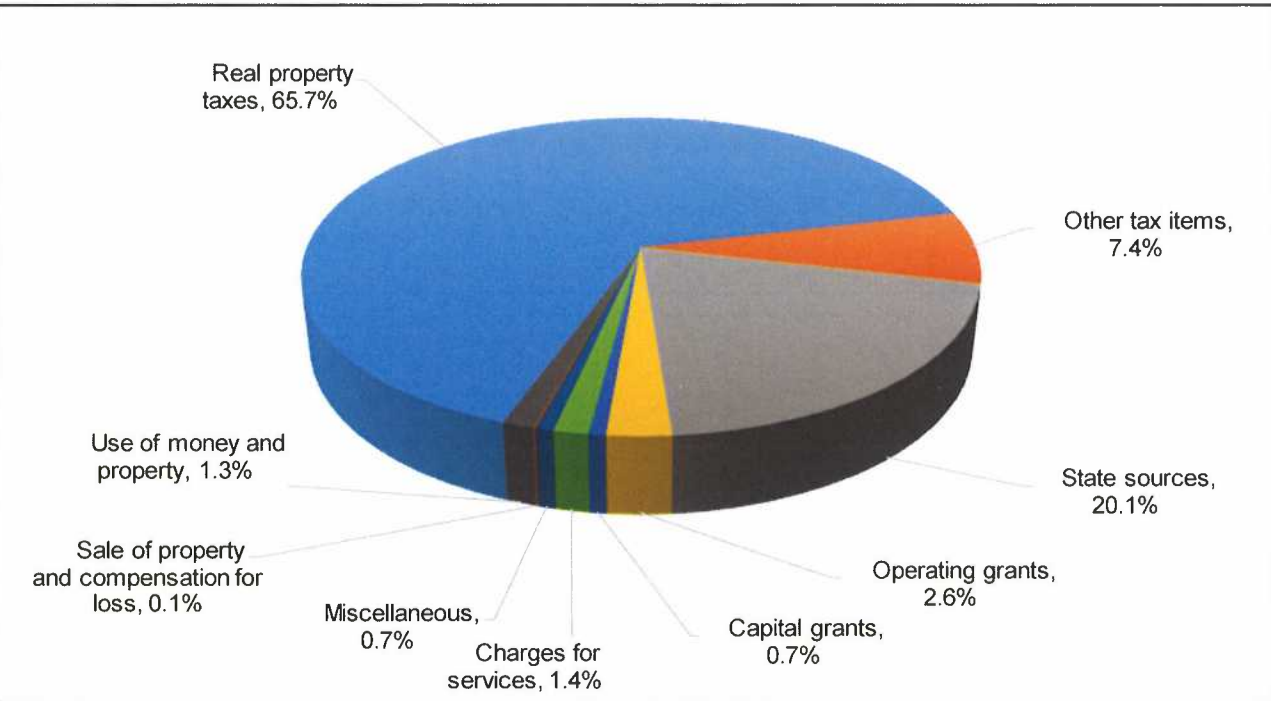


Table A-5: Sources of Revenues for Fiscal Year 2018

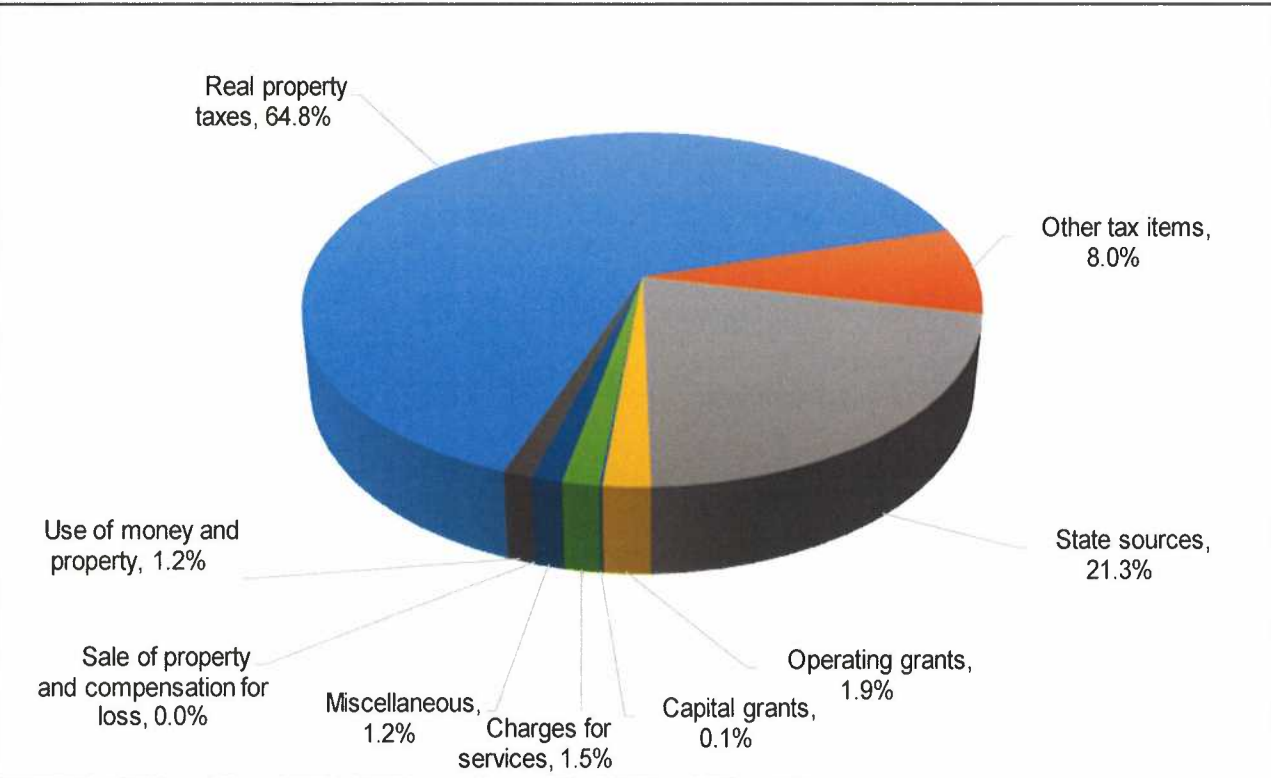


Table A-6: Expenses for Fiscal Year 2019

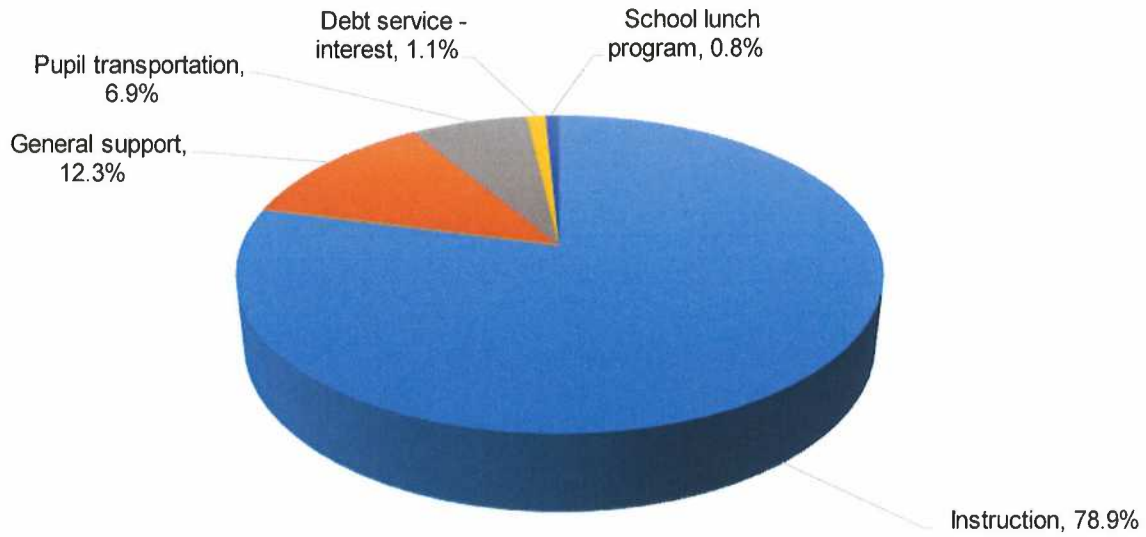
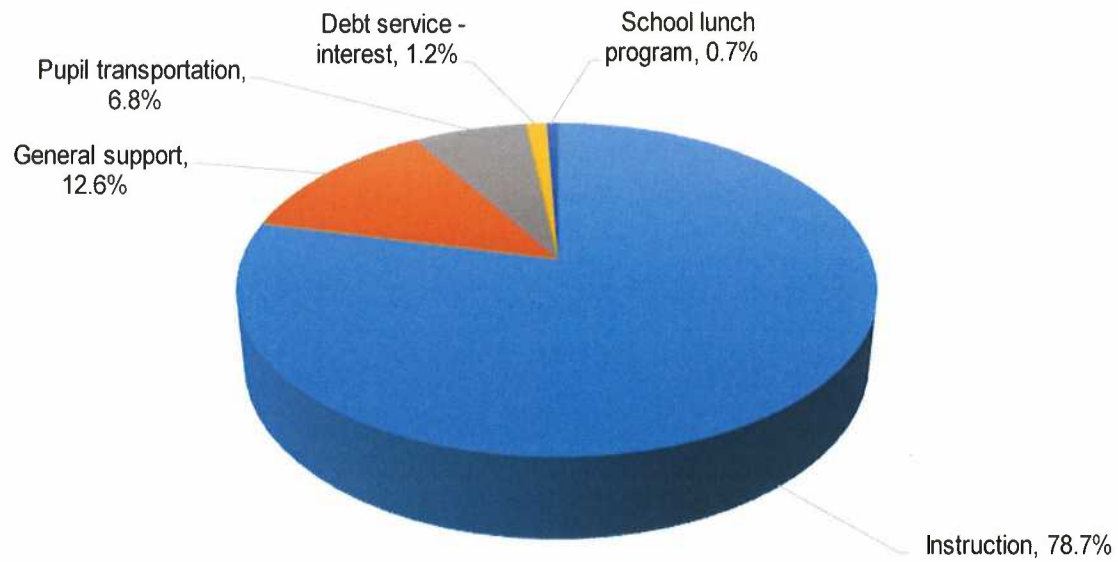


Table A-7: Expenses for Fiscal Year 2018



Governmental Activities

Revenues for the District's governmental activities totaled \$190,840,908 while total expenses equaled \$194,562,766. The overall sound financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Favorable debt costs due to a high Moody's Investors Service rating;
- Funding of reserves to stabilize the impact of cost increases; and
- Strategic use of services from the Western Suffolk BOCES and increased cooperative bidding.

The major changes in revenues and expenses are as follows:

Revenues:

- Real property taxes increased by \$4,240,717. This increase was within the tax cap, reflects a modest tax increase to residents and allows for a continued strong educational program.
- Other tax items include the reimbursements received under the School Tax Reimbursement Program ("STAR"). The STAR program provides tax relief to homeowners through State reimbursement to the District. Payments in lieu of taxes ("PILOTS") are also included within this category. The revenues from the STAR program and PILOTS remained consistent with the prior year.
- Unrestricted State sources (aid) decreased by \$1,408,374, or 3.5%.

Expenses:

- General support related expenses decreased by \$634,471, primarily due to decreases related to other post-employment benefits and pensions.

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 liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2019, the District's combined governmental funds reported a total fund balance of \$28,979,981 which is a decrease of \$1,177,306 from the prior year. This decrease is due primarily to budget transfers for debt service and capital projects.

Fund balances for the District's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Restricted:				
Retirement Contributions	\$ 628,329	\$ 766,921	\$ (138,592)	(18.1)
Workers' Compensation	1,847,669	1,820,588	27,081	1.5
Unemployment Insurance	329,004	324,181	4,823	1.5
Employee Benefit Accrued Liability	4,449,393	6,583,243	(2,133,850)	(32.4)
Insurance	194,260	191,412	2,848	1.5
Repairs	17,725	17,465	260	1.5
Assigned:				
Appropriated for subsequent year's expenditures	6,805,805	6,801,396	4,409	0.1
Encumbrances	297,162	229,799	67,363	29.3
Unassigned	<u>5,832,414</u>	<u>5,315,718</u>	<u>516,696</u>	<u>9.7</u>
Total General Fund	<u>20,401,761</u>	<u>22,050,723</u>	<u>(1,648,962)</u>	<u>(7.5)</u>
School Lunch Fund				
Nonspendable:				
Inventory	8,463	6,655	1,808	27.2
Assigned:				
Food Service Program	<u>625,080</u>	<u>535,464</u>	<u>89,616</u>	<u>16.7</u>
Total School Lunch Fund	<u>633,543</u>	<u>542,119</u>	<u>91,424</u>	<u>16.9</u>
Debt Service Fund				
Restricted:				
Debt service	<u>986,719</u>	<u>1,082,829</u>	<u>(96,110)</u>	<u>(8.9)</u>
Total Debt Service Fund	<u>986,719</u>	<u>1,082,829</u>	<u>(96,110)</u>	<u>(8.9)</u>
Capital Projects Fund				
Restricted:				
District improvements	<u>6,957,958</u>	<u>6,481,616</u>	<u>476,342</u>	<u>7.3</u>
Total Capital Projects Fund	<u>6,957,958</u>	<u>6,481,616</u>	<u>476,342</u>	<u>7.3</u>
Total fund balance	<u>\$ 28,979,981</u>	<u>\$ 30,157,287</u>	<u>\$ (1,177,306)</u>	<u>(3.9)</u>

General Fund

The General Fund reported a decrease in fund balance of \$1,648,962 for fiscal 2019, as compared to a decrease of \$2,248,922 for fiscal 2018. Revenues increased \$5,697,917 mainly as a result of an increase in the budgeted property tax levy. Expenditures increased \$4,669,299 primarily due to increased general support, instructional, and employee benefit expenditures, all of which were budgeted for and actual results were below budget. Other financing uses increased \$128,658 due to increased transfers to the Debt Service Fund and the Capital Projects Fund. As a result of expenditures being greater than revenues, the District reported a decrease in the change in fund balance. Compared to projected performance however, the District performed better than expected.

General Fund Budgetary Highlights

The District's General Fund original budget for the year ended June 30, 2019 was \$193,222,797. This amount was increased by encumbrances carried forward from the prior year in the amount of \$229,799 and budget revisions of \$223,635 which resulted in a final budget of \$193,676,231. The majority of the actual funding was property taxes, STAR revenue and PILOTS of \$139,537,191.

At June 30, 2019, the District's unassigned fund balance was \$5,832,414 which was within the allowable 4% of the subsequent year's original budget (\$197,062,213) as promulgated by New York State (see page 56). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2019:

Unassigned fund balance, beginning of year	\$ 5,315,718
Add:	
Prior-year encumbrances	229,799
Prior-year appropriated fund balance	6,801,396
Board approved use of Retirement Contribution Reserve	150,000
Board approved use of Employee Benefit Accrued Liability Reserve	2,231,774
Less:	
Current-year encumbrances	(297,162)
Current-year appropriated fund balance	(6,805,805)
Interest allocated to Retirement Contribution Reserve	(11,408)
Interest allocated to Workers' Compensation Reserve	(27,081)
Interest allocated to Unemployment Insurance Reserve	(4,823)
Interest allocated to Employee Benefit Accrued Liability Reserve	(97,924)
Interest allocated to Insurance Reserve	(2,848)
Interest allocated to Repairs Reserve	(260)
Net change in fund balance	<u>(1,648,962)</u>
Unassigned fund balance, end of year	<u><u>\$ 5,832,414</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested \$91,718,014 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. The District is conducting a variety of minor capital projects through its Capital Reserve Program.

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 3,260,677	\$ 3,260,677	\$ -	-
Construction-in-progress	2,796,851	1,057,717	1,739,134	164.4
Buildings and building improvements	82,323,971	85,509,403	(3,185,432)	(3.7)
Furniture and equipment	1,060,950	795,546	265,404	33.4
Vehicles	286,059	239,575	46,484	19.4
Site improvements	1,989,506	2,165,077	(175,571)	(8.1)
Totals	<u>\$ 91,718,014</u>	<u>\$ 93,027,995</u>	<u>\$ (1,309,981)</u>	<u>(1.4)</u>

Long-Term Liabilities

At year-end, the District had \$64,647,551 in general obligation bonds and other long-term liabilities.

Table A-10: Outstanding Long-Term Liabilities

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 39,087,668	\$ 45,834,368	\$ (6,746,700)	(14.7)
Installment purchase debt payable	13,142,133	14,441,152	(1,299,019)	(9.0)
Workers' Compensation claims payable	999,317	1,015,147	(15,830)	(1.6)
Compensated absences	11,418,433	11,390,662	27,771	0.2
Totals	<u>\$ 64,647,551</u>	<u>\$ 72,681,329</u>	<u>\$ (8,033,778)</u>	(11.1)

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- New York State imposed a maximum tax levy increase of the lesser of 2% or the CPI for the fiscal year 2018-2019 budget, subject to certain exclusions. Based on the value of obligatory contractual increases and continued increases in the State's unfunded mandates, it is expected that reductions may be necessary. The District will continue to consolidate services to maintain its high standards. If the downward economic trend continues, and State mandates and legal requirements continue to escalate, there will be an inevitable negative impact on District programs.
- The General Fund budget for the 2019-2020 school year was approved by the voters in the amount of \$197,062,213. This is an increase of 1.99% over the previous year's budget.
- The 2019-2020 budget is impacted by certain trends affecting school districts. These include increases in health insurance costs, workers' compensation judgments, and potential unemployment insurance claims, which are beyond the District's control.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Commack Union Free School District
Laura Newman
Assistant Superintendent for Business & Operations
480 Clay Pitts Road
East Northport, New York 11731
631-912-2000

COMMACK UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Unrestricted cash	\$ 21,363,517
Receivables:	
State and federal aid	7,553,963
Due from other governments	1,453,777
Due from fiduciary funds	98,034
Other	1,640,124
Inventories	8,463
Restricted cash	14,277,550
Proportionate share of net pension asset	9,100,642
Capital assets:	
Non-depreciable	6,057,528
Depreciable, net of accumulated depreciation of \$90,728,545	85,660,486
Total assets	<u>147,214,084</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on bond refunding	1,168,469
Deferred outflows from pensions	51,752,921
Deferred outflows from OPEB	1,150,064
Total deferred outflows of resources	<u>54,071,454</u>
LIABILITIES	
Accounts payable	2,106,489
Accrued liabilities	1,981,122
Accrued interest payable	354,552
Due to teachers' retirement system	9,075,621
Due to employees' retirement system	616,007
Unearned revenue	212,788
Long-term liabilities, due within one year:	
Bonds payable, net	6,399,475
Energy performance contract payable	1,326,428
Workers' Compensation claims payable	700,000
Compensated absences	1,587,173
Long-term liabilities, due after one year:	
Bonds payable, net	32,688,193
Energy performance contract payable	11,815,705
Workers' Compensation claims payable	299,317
Compensated absences	9,831,260
Proportionate share of net pension liability	3,355,280
Other postemployment benefits obligation	179,500,889
Total liabilities	<u>261,850,299</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	13,017,027
Deferred inflows from OPEB	29,826,381
Total deferred inflows of resources	<u>42,843,408</u>
NET POSITION	
Net investment in capital assets	40,656,682
Restricted:	
Retirement contributions	628,329
Insurance	194,260
Workers' Compensation	1,847,669
Unemployment insurance	329,004
Employee Benefit Accrued Liability	4,449,393
Repairs	17,725
Debt Service	986,719
District improvements	6,957,958
Unrestricted (deficit)	<u>(159,475,908)</u>
Total net position (deficit)	<u>\$ (103,408,169)</u>

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

COMMACK UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
Functions and programs:					
General support	\$ 24,019,336	\$ 169,502	\$ 475,802	\$ -	\$ (23,374,032)
Instruction	153,442,317	1,401,900	3,935,237	1,329,432	(146,775,748)
Pupil transportation	13,423,472	2,767	7,768	-	(13,412,937)
Debt service - interest	2,156,783	-	-	-	(2,156,783)
School lunch program	1,520,858	1,139,631	451,856	-	70,629
Total functions and programs	<u>\$ 194,562,766</u>	<u>\$ 2,713,800</u>	<u>\$ 4,870,663</u>	<u>\$ 1,329,432</u>	<u>(185,648,871)</u>
General revenues:					
Real property taxes					125,384,628
Other tax items					14,152,563
Use of money and property					2,465,645
Sale of property and compensation for loss					270,741
State sources					38,380,303
Miscellaneous					<u>1,273,133</u>
Total general revenues					<u>181,927,013</u>
Change in net position					(3,721,858)
Total net position, beginning of year					<u>(99,686,311)</u>
Total net position, end of year					<u>\$ (103,408,169)</u>

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

COMMACK UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Funds					
	Special Revenue Funds					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
ASSETS						
Unrestricted cash	\$ 20,625,492	\$ -	\$ 738,025	\$ -	\$ -	\$ 21,363,517
Receivables:						
State and federal aid	3,932,333	2,563,852	26,229	-	1,031,549	7,553,963
Due from other governments	1,453,777	-	-	-	-	1,453,777
Due from other funds	1,134,660	-	11,102	51,149	1,400,000	2,596,911
Due from fiduciary funds	98,034	-	-	-	-	98,034
Other	1,631,263	-	8,861	-	-	1,640,124
Inventories	-	-	8,463	-	-	8,463
Restricted cash	7,466,380	-	-	1,085,570	5,725,600	14,277,550
Total assets	<u>\$ 36,341,939</u>	<u>\$ 2,563,852</u>	<u>\$ 792,680</u>	<u>\$ 1,136,719</u>	<u>\$ 8,157,149</u>	<u>\$ 48,992,339</u>
LIABILITIES						
Payables:						
Accounts payable	\$ 1,733,243	\$ 160,704	\$ 96,049	\$ -	\$ 116,493	\$ 2,106,489
Accrued liabilities	1,977,393	3,729	-	-	-	1,981,122
Due to other funds	-	2,395,762	-	150,000	51,149	2,596,911
Due to teachers' retirement system	9,075,621	-	-	-	-	9,075,621
Due to employees' retirement system	616,007	-	-	-	-	616,007
Unearned revenues	146,043	3,657	63,088	-	-	212,788
Total liabilities	<u>13,548,307</u>	<u>2,563,852</u>	<u>159,137</u>	<u>150,000</u>	<u>167,642</u>	<u>16,588,938</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>2,391,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,549</u>	<u>3,423,420</u>
Total deferred inflows of resources	<u>2,391,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,549</u>	<u>3,423,420</u>
FUND BALANCE						
Nonspendable	-	-	8,463	-	-	8,463
Restricted	7,466,380	-	-	986,719	6,957,958	15,411,057
Assigned	7,102,967	-	625,080	-	-	7,728,047
Unassigned	5,832,414	-	-	-	-	5,832,414
Total fund balance	<u>20,401,761</u>	<u>-</u>	<u>633,543</u>	<u>986,719</u>	<u>6,957,958</u>	<u>28,979,981</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 36,341,939</u>	<u>\$ 2,563,852</u>	<u>\$ 792,680</u>	<u>\$ 1,136,719</u>	<u>\$ 8,157,149</u>	<u>\$ 48,992,339</u>

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

COMMACK UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds \$ 28,979,981

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

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

Capital assets:		
Non-depreciable	\$ 6,057,528	
Depreciable	176,389,031	
Accumulated depreciation	<u>(90,728,545)</u>	91,718,014

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds. 1,168,469

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

Deferred outflows of resources - pension related	51,752,921	
Deferred outflows of resources - OPEB related	1,150,064	
Proportionate share of net pension asset	9,100,642	
Proportionate share of net pension liability	(3,355,280)	
Deferred inflows of resources - pension related	(13,017,027)	
Deferred inflows of resources - OPEB related	<u>(29,826,381)</u>	15,804,939

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

Bonds payable, net	(39,087,668)	
Installment purchase debt payable	(13,142,133)	
Workers' Compensation claims payable	(999,317)	
Total OPEB liability	(179,500,889)	
Compensated absences payable	<u>(11,418,433)</u>	(244,148,440)

Revenue that was not accrued on the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position. 3,423,420

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (354,552)

Net Position - Governmental Activities \$ (103,408,169)

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

COMMACK UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds					
	Special Revenue Funds					
	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 125,384,628	\$ -	\$ -	\$ -	\$ -	\$ 125,384,628
Other tax items	14,152,563	-	-	-	-	14,152,563
Charges for services	1,574,169	-	-	-	-	1,574,169
Use of money and property	2,409,889	-	1,866	53,890	-	2,465,645
Sale of property and compensation for loss	270,741	-	-	-	-	270,741
State sources	39,709,719	1,693,644	23,748	-	1,329,432	42,756,543
Federal sources	133,385	2,358,935	428,108	-	-	2,920,428
Sales	-	-	1,139,631	-	-	1,139,631
Miscellaneous	3,169,436	232,843	7,827	-	-	3,410,106
Total revenues	186,804,530	4,285,422	1,601,180	53,890	1,329,432	194,074,454
EXPENDITURES						
Current -						
General support	19,032,819	-	-	-	-	19,032,819
Instruction	106,248,268	4,352,855	-	-	-	110,601,123
Pupil transportation	12,899,409	439,493	-	-	-	13,338,902
Employee benefits	38,705,967	-	-	-	-	38,705,967
Cost of sales	-	-	1,520,858	-	-	1,520,858
Capital outlay	-	-	-	-	2,253,090	2,253,090
Debt service -						
Principal	1,299,019	-	-	6,115,000	-	7,414,019
Interest	800,157	-	-	1,584,825	-	2,384,982
Total expenditures	178,985,639	4,792,348	1,520,858	7,699,825	2,253,090	195,251,760
Excess (deficiency) of revenues over (under) expenditures	7,818,891	(506,926)	80,322	(7,645,935)	(923,658)	(1,177,306)
OTHER FINANCING SOURCES (USES)						
Transfers in	450,000	506,926	11,102	7,699,825	1,700,000	10,367,853
Transfers out	(9,917,853)	-	-	(150,000)	(300,000)	(10,367,853)
Total other financing sources (uses)	(9,467,853)	506,926	11,102	7,549,825	1,400,000	-
Change in fund balance	(1,648,962)	-	91,424	(96,110)	476,342	(1,177,306)
Fund balance, beginning of year	22,050,723	-	542,119	1,082,829	6,481,616	30,157,287
Fund balance, end of year	\$ 20,401,761	\$ -	\$ 633,543	\$ 986,719	\$ 6,957,958	\$ 28,979,981

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

COMMACK UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balance - Governmental Funds \$ (1,177,306)

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

Capital outlay, net	\$ 2,446,436	
Depreciation expense	<u>(3,756,417)</u>	(1,309,981)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (3,233,546)

Amortization of bond premiums and deferred charges on bond refundings do not affect the governmental funds, but are recorded in the Statement of Activities.

Amortization of bond premiums	631,700	
Amortization of deferred charges	<u>(445,278)</u>	186,422

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

Repayment of bond principal	6,115,000	
Repayment of installment purchase debt payable	<u>1,299,019</u>	7,414,019

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

Total OPEB liability	21,567,538	
Workers' Compensation claims payable	15,830	
Compensated absences payable	(27,771)	
Accrued interest costs	<u>41,777</u>	21,597,374

Changes in the amount of total OPEB liability deferred inflows of resources and deferred outflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds. (28,640,150)

Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Proportionate share of net pension asset	5,198,995	
Deferred outflows of resources from pensions	(5,395,336)	
Proportionate share of net pension liability	(1,744,338)	
Deferred inflows of resources from pensions	<u>3,381,989</u>	1,441,310

Change in Net Position - Governmental Activities \$ (3,721,858)

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

COMMACK UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Scholarship Trusts	Agency Funds
ASSETS		
Cash:		
Unrestricted	\$ -	\$ 396,244
Restricted	9,998	383,628
Due from governmental funds	-	841
Other receivables	-	9,002
	<hr/>	<hr/>
Total assets	\$ 9,998	\$ 789,715
	<hr/>	<hr/>
LIABILITIES		
Due to governmental funds	\$ -	\$ 98,875
Extraclassroom activity balances	-	383,628
Other liabilities	-	307,212
	<hr/>	<hr/>
Total liabilities	-	\$ 789,715
	<hr/>	<hr/>
NET POSITION		
Restricted:		
Scholarships	<hr/> 9,998	
Total net position	<hr/> 9,998	
Total liabilities and net position	<hr/> \$ 9,998	
	<hr/>	

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

COMMACK UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Scholarship Trusts
	<hr/>
ADDITIONS	
Investment earnings:	
Interest	\$ 1,801
	<hr/>
Total additions	1,801
	<hr/>
DEDUCTIONS	
Scholarships and awards	2,249
	<hr/>
Total deductions	2,249
	<hr/>
Change in net position	(448)
Net position, beginning of year	10,446
	<hr/>
Net position, end of year	\$ 9,998
	<hr/> <hr/>

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

COMMACK UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on such criteria the District has determined there are no component units to be included within their reporting entity.

B. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the

New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

During the year, the District was billed \$8,386,579 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,092,088.

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

D. Basis of presentation

1. District-wide financial statements

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

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

2. Fund financial statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of District 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. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

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

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

E. Measurement focus and basis of accounting

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred,

regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, State aid, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

F. Property taxes

Real property taxes for the Towns of Smithtown and Huntington residents are levied annually by the Board of Education no later than October 15th, and become a lien on December 1st. Taxes are collected by the Towns of Smithtown and Huntington and remitted to the District from December to June.

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

G. Restricted resources

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

H. Interfund transactions

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

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent year. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

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 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, 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 encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

J. Cash and cash equivalents

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

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations (if permitted by the District's policy).

K. Accounts receivable

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

L. Inventories and prepaid items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial

statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

M. Other assets/restricted assets

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

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

N. Capital assets

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

Land and construction-in-progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 5,000	Straight-line	20-40 years
Site improvements	\$ 5,000	Straight-line	5-30 years
Furniture and equipment	\$ 5,000	Straight-line	5-20 years

O. Deferred outflows of resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (NYSTRS and NYSERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

P. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue - property taxes. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability (NYSTRS and NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Q. Unearned revenue

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

R. Vested employee benefits - compensated absences

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

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

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

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

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.

S. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in

accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure (see Note 12 for more information).

T. Short-term debt

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

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

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

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

As of June 30, 2019, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

U. Accrued liabilities and long-term obligations

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

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

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. Restricted net position: Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$8,463.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation

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

Unemployment Insurance

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess

applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Insurance

According to General Municipal Law §6-n, 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.

Employee Benefit Accrued Liability

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

Repairs

According to General Municipal Law 6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of school district property or capital improvement.

Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

3. Committed- Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.
4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2019 were distributed as follows:

	General	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 8,463	\$ -	\$ -	\$ 8,463
Total nonspendable	-	8,463	-	-	8,463
Restricted:					
Retirement contributions	628,329	-	-	-	628,329
Workers' Compensation	1,847,669	-	-	-	1,847,669
Unemployment insurance	329,004	-	-	-	329,004
Employee Benefit Accrued Liability	4,449,393	-	-	-	4,449,393
Insurance	194,260	-	-	-	194,260
Repairs	17,725	-	-	-	17,725
Debt service	-	-	986,719	-	986,719
District improvements	-	-	-	6,957,958	6,957,958
Total restricted	7,466,380	-	986,719	6,957,958	15,411,057
Assigned:					
Appropriated for subsequent year's expenditures	6,805,805	-	-	-	6,805,805
Encumbrances	297,162	-	-	-	297,162
Food service program	-	625,080	-	-	625,080
Total assigned	7,102,967	625,080	-	-	7,728,047
Unassigned	5,832,414	-	-	-	5,832,414
Total	\$ 20,401,761	\$ 633,543	\$ 986,719	\$ 6,957,958	\$ 28,979,981

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

Order of use of fund balance

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

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

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. The categories are shown below:

1. Long-term revenue/expense differences

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

2. Capital related differences

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

financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

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

4. Pension differences

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

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

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

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

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

The following supplemental appropriations occurred during the year:

Insurance recoveries	\$	202,780
Gifts and donations		<u>20,855</u>
	\$	<u><u>223,635</u></u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2019.

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

Encumbrances

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

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

The District's aggregate bank balances, including balances not covered by depository insurance at year-end, are collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 39,092,947
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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 as of year-end includes \$14,277,550 within the governmental funds and \$393,626 in the fiduciary funds.

Investment and deposit policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

Interest rate risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal

Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

5. RECEIVABLES

A. State and federal aid

State and federal aid receivables at June 30, 2019 consisted of the following:

General Fund:

General aid	\$ 1,745,663
BOCES aid	2,148,511
Medicaid	38,159

Special Aid Fund:

State and federal grants	2,563,852
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School Lunch Fund:

School lunch reimbursement	26,229
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Capital Projects Fund:

State and federal grants	1,031,549
	<u>\$ 7,553,963</u>

B. Due from other governments

Due from other governments at June 30, 2019 consisted of the following:

General Fund:

Other school districts and towns	\$ 1,293,867
Foster tuition	152,206
Department of Labor	7,704
	<u>\$ 1,453,777</u>

C. Other receivables

Other receivables at June 30, 2019 consisted of the following:

General Fund:

Life insurance	\$ 1,584,552
Various	46,711

School Lunch Fund:

Various	8,861
	<u>\$ 1,640,124</u>

District management has deemed the amounts to be fully collectible.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,260,677	\$ -	\$ -	\$ 3,260,677
Construction-in-progress	1,057,717	1,739,134	-	2,796,851
Total nondepreciable assets	<u>4,318,394</u>	<u>1,739,134</u>	<u>-</u>	<u>6,057,528</u>
Capital assets that are depreciated:				
Buildings and building improvements	164,818,500	244,672	-	165,063,172
Furniture and equipment	3,558,392	366,283	(56,848)	3,867,827
Vehicles	936,081	99,488	(39,462)	996,107
Site improvements	6,461,925	-	-	6,461,925
Total depreciable assets	<u>175,774,898</u>	<u>710,443</u>	<u>(96,310)</u>	<u>176,389,031</u>
Less accumulated depreciation:				
Buildings and building improvements	79,309,097	3,430,104	-	82,739,201
Furniture and equipment	2,762,846	100,879	(56,848)	2,806,877
Vehicles	696,506	49,863	(36,321)	710,048
Site improvements	4,296,848	175,571	-	4,472,419
Total accumulated depreciation	<u>87,065,297</u>	<u>3,756,417</u>	<u>(93,169)</u>	<u>90,728,545</u>
Total capital assets, net	<u>\$ 93,027,995</u>	<u>\$ (1,306,840)</u>	<u>\$ (3,141)</u>	<u>\$ 91,718,014</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 404,479
Instruction	3,345,335
Pupil transportation	6,603
	<u>\$ 3,756,417</u>

7. SHORT-TERM DEBT

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

	Beginning Balance	Issued	Redeemed	Ending Balance
TAN matured on 6/26/19 at 3.00%	\$ -	\$ 32,000,000	\$ 32,000,000	\$ -

Interest on short-term debt for the year was \$472,320.

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 43,545,000	\$ -	\$ 6,115,000	\$ 37,430,000	\$ 5,865,000
Bond premium	2,289,368	-	631,700	1,657,668	534,475
Bonds payable, net	45,834,368	-	6,746,700	39,087,668	6,399,475
Energy performance contract debt payable	14,441,152	-	1,299,019	13,142,133	1,326,428
Workers' Compensation claims payable	1,015,147	680,057	695,887	999,317	700,000
Compensated absences	11,390,662	27,771	-	11,418,433	1,587,173
Total long-term liabilities	\$ 72,681,329	\$ 707,828	\$ 8,741,606	\$ 64,647,551	\$ 10,013,076

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately. The General Fund is typically used to liquidate the liabilities above.

The following is a summary of the maturity of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2019
Serial bonds - advanced refunding	2013	2025	2.00 - 4.00%	\$ 30,480,000
Serial bonds	2013	2029	1.00 - 4.00%	6,950,000
				<u>\$ 37,430,000</u>
Energy performance contract	8/15/2012	2/15/2028	2.14%	\$ 11,508,584
Energy performance contract	1/21/2015	2/21/2028	3.63%	1,633,549
				<u>\$ 13,142,133</u>

	Serial Bonds		Energy Performance Contracts		Total
	Principal	Interest	Principal	Interest	
<u>June 30,</u>					
2020	\$ 5,865,000	\$ 1,342,275	\$ 1,326,428	\$ 297,638	\$ 8,831,341
2021	6,105,000	1,109,625	1,360,150	266,706	8,841,481
2022	6,350,000	867,275	1,391,833	235,023	8,844,131
2023	6,590,000	615,225	1,424,287	202,569	8,832,081
2024	5,330,000	383,263	1,457,532	169,324	7,340,119
2025-2029	7,190,000	423,363	6,181,903	328,311	14,123,577
	<u>\$ 37,430,000</u>	<u>\$ 4,741,026</u>	<u>\$ 13,142,133</u>	<u>\$ 1,499,571</u>	<u>\$ 56,812,730</u>

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

Interest paid	\$1,912,662
Less interest accrued in the prior year	(396,329)
Plus amortization of deferred charges	445,278
Less amortization of bond premium	(631,700)
Plus interest accrued in the current year	354,552
Total interest expense	<u>\$ 1,684,463</u>

In the District-wide financial statements, the District is amortizing deferred charges on the advance refunding and a refunding bond premium relating to bond issuance as a component of interest expense on a weighted average basis as follows:

Fiscal Year Ending June 30,	Deferred Premium	Deferred Charge	Net Decrease in Interest Expense
2020	\$ 534,475	\$ (376,745)	\$ 157,730
2021	432,698	(305,003)	127,695
2022	326,272	(229,985)	96,287
2023	215,199	(151,691)	63,508
2024	114,140	(80,456)	33,684
2025	34,884	(24,589)	10,295
Total	<u>\$ 1,657,668</u>	<u>\$ (1,168,469)</u>	<u>\$ 489,199</u>

9. PENSION PLANS

General information

The District participates in the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Employees' Retirement System ("NYSERS"). These are cost-sharing, multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability

Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law ("NYSRSSL"). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to

participate in NYSTRS. Once a public employer elects to participate in 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

NYSERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSSRL governs obligations of employers and employees to contribute, and benefits to employees. 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. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under NYSERS tier VI vary based on a sliding salary scale. For NYSTRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the NYSERS' fiscal year ended March 31.

The District share of the required contributions, based on covered payroll for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 2,277,195	\$ 8,033,921
2018	2,270,955	8,028,531
2017	2,238,582	9,533,321

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2018 for NYSTRS and March 31, 2019 for NYSERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions

of all participating members, actuarially determined. This information was provided by the NYSTRS and NYSERS Systems in reports provided to the District:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,355,280)	\$ 9,100,642
District's portion of the Plan's total net pension asset/(liability)	0.04736%	0.50328%

For the year ended June 30, 2019, the District recognized pension expense of \$2,484,270 for NYSERS and \$7,180,151 for NYSTRS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 660,725	\$ 6,800,837	\$ 225,234	\$ 1,231,897
Changes of assumptions	843,380	31,812,716	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	861,150	10,102,407
Changes in proportion and differences between the District's contributions and proportionate share of contributions	713,556	1,230,079	155,663	440,676
Employer contributions subsequent to the measurement date	616,007	9,075,621	-	-
Total	<u>\$ 2,833,668</u>	<u>\$ 48,919,253</u>	<u>\$ 1,242,047</u>	<u>\$ 11,774,980</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
<u>For the year ended:</u>		
2020	\$ 939,484	\$ 9,239,054
2021	(512,370)	6,310,400
2022	39,717	770,315
2023	508,783	6,288,959
2024	-	4,365,328
Thereafter	-	1,094,596

Actuarial assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%

*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For NYSERS, 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 NYSTRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. For NYSERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2019	March 31, 2019	June 30, 2018	June 30, 2018
Asset type				
Absolute return strategies	2.00%	3.75%	-	-
Bonds and mortgages	17.00%	1.31%	-	-
Cash	1.00%	(0.25%)	-	-
Domestic equity	36.00%	4.55%	33.00%	5.80%
Domestic fixed income	-	-	16.00%	1.60%
Global equities	-	-	4.00%	6.70%
Global fixed income	-	-	2.00%	0.09%
High-yield fixed income	-	-	1.00%	3.50%
Inflation-indexed bonds	4.00%	1.25%	-	-
International equity	14.00%	6.35%	16.00%	7.30%
Opportunistic portfolio	3.00%	5.68%	-	-
Private debt	-	-	1.00%	6.80%
Private equity	10.00%	7.50%	8.00%	8.90%
Real assets	3.00%	5.29%	-	-
Real estate debt	-	-	7.00%	2.80%
Real estate equities	10.00%	5.55%	11.00%	2.80%
Short-term	-	-	1.00%	0.30%
	<u>100.00%</u>		<u>100.00%</u>	

Discount rate

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

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

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

<u>NYSERS</u>	<u>1% Decrease (6.00%)</u>	<u>Current assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (14,669,821)	\$ (3,355,280)	\$ 6,149,736
<u>NYSTRS</u>	<u>1% Decrease (6.25%)</u>	<u>Current assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (62,522,900)	\$ 9,100,642	\$ 69,101,267

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)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Measurement date	March 31, 2019	June 30, 2018	
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253	\$ 307,910,682
Plan net position	<u>182,718,124</u>	<u>119,915,517</u>	<u>302,633,641</u>
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%	98.29%

Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the system in September, October and November 2019 through a State aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2019 amounted to \$9,075,621.

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2019 amounted to \$616,007. Employee contributions are remitted monthly.

10. PENSION PLANS - OTHERS

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 compensated absence payments based on collectively bargained agreements. Contributions made by

the District and the employees for the year ended June 30, 2019 totaled \$702,215 and \$5,211,088, respectively.

B. Deferred Compensation Plan

The District has 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, 2019 totaled \$793,118.

11. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,232,694	\$ -	\$ 450,000	\$ 9,917,853
Special Aid Fund	-	2,395,762	506,926	-
School Lunch Fund	11,102	-	11,102	-
Debt Service Fund	51,149	150,000	7,699,825	150,000
Capital Projects Fund	1,400,000	51,149	1,700,000	300,000
Fiduciary Funds	841	98,875	-	-
Totals	<u>\$ 2,695,786</u>	<u>\$ 2,695,786</u>	<u>\$ 10,367,853</u>	<u>\$ 10,367,853</u>

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

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

12. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

A. General information about the OPEB plan

Plan description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees covered by benefit terms

As of July 1, 2018, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	730
Active plan members	<u>886</u>
Total plan members	<u><u>1,616</u></u>

B. Total OPEB liability

The District's total OPEB liability of \$179,500,889 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	2.60% average, including inflation
Discount rate	3.87%
Healthcare cost trend rates	6.1% scaling down to 4.1% over 57 years
Retirees' share of benefit-related costs	0% to 8% of projected health insurance premiums for retirees

The discount rate was based on the June 30, 2018 Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

C. Changes in the total OPEB liability

Balance as of June 30, 2018	<u>\$ 201,068,427</u>
<u>Changes for the year -</u>	
Service cost	8,926,090
Interest	6,244,943
Change of demographic gains or losses	1,326,997
Differences between expected and actual experience	(34,378,815)
Benefit payments	<u>(3,686,753)</u>
Net changes	<u>(21,567,538)</u>
Balance as of June 30, 2019	<u><u>\$ 179,500,889</u></u>

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 one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current assumption (3.87%)	1% Increase (4.87%)
Total OPEB liability as of June 30, 2019	\$ 211,437,333	\$ 179,500,889	\$ 153,905,576

Sensitivity of the total OPEB liability to changes in 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 one percentage point lower (5.10%) or one percentage point higher (7.10%) than the current discount rate:

	1% Decrease (5.10% decreasing to 3.10%)	Current assumption (6.10% decreasing to 4.10%)	1% Increase (7.10% decreasing to 5.10%)
Total OPEB liability as of June 30, 2019	\$ 151,207,890	\$ 179,500,889	\$ 219,312,648

D. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$10,759,365. At June 30, 2019, the District reported deferred outflows of resources related to OPEB differences between expected and actual experience of \$1,150,064 and deferred inflows of resources related to OPEB from differences between expected and actual experience of \$31,408. The District reported deferred inflows of resources related to OPEB from changes in assumptions of \$29,794,973.

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

<u>For the year ended:</u>	
2020	\$ (4,411,668)
2021	(4,411,668)
2022	(4,411,668)
2023	(4,411,668)
2024	(4,411,668)
Thereafter	(6,617,977)

13. RISK MANAGEMENT

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

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

The District 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. General Fund liabilities only include amounts for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR").

Claims activity is summarized below:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
Fiscal years ended June 30:				
2019	\$ 1,015,147	\$ 680,057	\$ 695,887	\$ 999,317
2018	781,500	980,079	746,432	1,015,147
2017	897,143	535,439	651,082	781,500

The District has not purchased any annuity contracts.

14. **CONTINGENCIES AND COMMITMENTS**

Government grants

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

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2018 at 1.02% (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

Litigation

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

15. **TAX ABATEMENTS**

The Suffolk County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by approximately \$1,500,000. The District received payment in lieu of taxes (PILOT) payments totaling \$1,072,695.

16. FUTURE CHANGES IN ACCOUNTING STANDARDS

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	June 30, 2020
Statement No. 87	Leases	June 30, 2021
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2021

17. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 3, 2019 which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance
REVENUES					
Local sources:					
Real property taxes	\$ 138,464,368	\$ 125,384,500	\$ 125,384,628		\$ 128
Other tax items	1,065,844	14,145,712	14,152,563		6,851
Charges for services	1,942,300	1,942,300	1,574,169		(368,131)
Use of money and property	1,920,195	1,920,195	2,409,889		489,694
Sale of property and compensation for loss	100,000	302,780	270,741		(32,039)
Miscellaneous	2,145,000	2,165,855	3,169,436		1,003,581
Total local sources	145,637,707	145,861,342	146,961,426		1,100,084
State sources	39,543,693	39,543,693	39,709,719		166,026
Federal sources	40,000	40,000	133,385		93,385
Total revenues	185,221,400	185,445,035	186,804,530		1,359,495
OTHER FINANCING SOURCES					
Interfund revenues	450,000	450,000	450,000		-
Total revenues and other financing sources	185,671,400	185,895,035	187,254,530		1,359,495
EXPENDITURES					
General support:					
Board of Education	124,544	211,578	184,515	\$ -	27,063
Central administration	428,695	437,938	431,066	-	6,872
Finance	1,471,600	1,508,262	1,362,697	47,101	98,464
Staff	1,435,914	1,415,629	1,345,305	-	70,324
Central services	14,643,676	14,818,253	13,923,790	137,418	757,045
Special items	1,877,416	1,877,417	1,785,446	-	91,971
Total general support	19,981,845	20,269,077	19,032,819	184,519	1,051,739
Instruction:					
Instruction, administration and improvement	9,194,220	9,201,893	8,997,401	-	204,492
Teaching - regular school	58,471,091	56,909,194	58,048,380	12,502	(1,151,688)
Programs for children with handicapping conditions	29,716,497	29,522,320	26,829,500	83,776	2,609,044
Occupational education	928,800	928,800	686,350	-	242,450
Teaching - special school	399,185	399,185	304,237	-	94,948
Instructional media	2,626,895	2,651,048	2,405,095	3,158	242,795
Pupil services	9,361,528	9,374,438	8,977,305	8,207	388,926
Total instruction	110,698,216	108,986,878	106,248,268	107,643	2,630,967
Pupil transportation	13,356,482	13,370,082	12,899,409	5,000	465,673
Employee benefits	37,071,871	38,706,012	38,705,967	-	45
Debt service:					
Principal	1,299,020	1,299,020	1,299,019	-	1
Interest	980,337	980,337	800,157	-	180,180
Total expenditures	183,387,771	183,611,406	178,985,639	297,162	4,328,605
OTHER FINANCING USES					
Interfund transfers	10,064,825	10,064,825	9,917,853	-	146,972
Total expenditures and other financing uses	193,452,596	193,676,231	188,903,492	\$ 297,162	4,475,577
Net change in fund balance	\$ (7,781,196)	\$ (7,781,196)	(1,648,962)		\$ 5,835,072
Fund balance, beginning of year			22,050,723		
Fund balance, end of year			\$ 20,401,761		

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.

COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

Measurement date	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	\$ 8,926,090	\$ 8,503,539
Interest	6,244,943	5,912,155
Change of demographic gains or losses	1,326,997	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(34,378,815)	(40,926)
Benefit payments	<u>(3,686,753)</u>	<u>(3,721,767)</u>
Net change in total OPEB liability	(21,567,538)	10,653,001
Total OPEB liability - beginning of year	<u>201,068,427</u>	<u>190,415,426</u>
Total OPEB liability - end of year	<u>\$ 179,500,889</u>	<u>\$ 201,068,427</u>
Covered payroll	\$ 90,673,940	\$ 104,691,209
Total OPEB liability as a percentage of covered payroll	197.96%	192.06%

Note to Required Supplementary Information

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow school districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

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

	2019	2018	2017	(A) 2016	2015	**2014	**2013	**2012	**2011	**2010
District's proportionate share of the net pension liability	0.04736%	0.04991%	0.05125%	0.50900%	0.04869%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (3,355)	\$ (1,611)	\$ (4,815)	\$ (8,177)	\$ (1,645)	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 15,533	\$ 15,200	\$ 14,578	\$ 14,706	\$ 14,051	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	21.60%	10.60%	33.03%	55.60%	11.71%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	N/A	N/A	N/A	N/A	N/A

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

(A) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Not Available = N/A

****Note to Required Supplementary Information**

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

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

	2019	(A) 2018	(B) 2017	2016	2015	**2014	**2013	**2012	**2011	**2010
District's proportionate share of the net pension asset (liability)	0.50328%	0.51331%	0.52556%	0.51957%	0.51166%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset (liability)	\$ 9,101	\$ 3,902	\$ (5,629)	\$ 53,967	\$ 56,995	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 81,924	\$ 81,342	\$ 81,614	\$ 78,055	\$ 75,515	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	11.11%	4.80%	6.90%	69.14%	75.48%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset (liability)	101.53%	100.66%	99.01%	110.46%	111.48%	N/A	N/A	N/A	N/A	N/A

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

(A) The discount rate used to calculate the total pension asset was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date

(B) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date

Not Available = N/A

****Note to Required Supplementary Information**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 2,277	\$ 2,271	\$ 2,239	\$ 2,552	\$ 2,695	\$ 2,695	\$ 2,491	\$ 1,554	\$ 1,239	\$ 1,091
Contributions in relation to the contractually required contribution	<u>2,277</u>	<u>2,271</u>	<u>2,239</u>	<u>2,552</u>	<u>2,695</u>	<u>2,695</u>	<u>2,491</u>	<u>1,554</u>	<u>1,239</u>	<u>1,091</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,531	\$ 15,200	\$ 14,460	\$ 14,985	\$ 14,524	\$ 13,740	\$ 14,196	\$ 14,419	\$ 14,889	\$ 14,365
Contributions as a percentage of covered payroll	14.66%	14.94%	15.48%	17.03%	18.56%	19.61%	17.55%	10.78%	8.32%	7.59%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 8,034	\$ 8,029	\$ 9,533	\$ 10,754	\$ 13,859	\$ 12,334	\$ 8,648	\$ 8,009	\$ 6,053	\$ 4,278
Contributions in relation to the contractually required contribution	<u>8,034</u>	<u>8,029</u>	<u>9,533</u>	<u>10,754</u>	<u>13,859</u>	<u>12,334</u>	<u>8,648</u>	<u>8,009</u>	<u>6,053</u>	<u>4,278</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 75,649	\$ 81,924	\$ 81,342	\$ 81,101	\$ 79,059	\$ 75,902	\$ 72,837	\$ 72,029	\$ 70,496	\$ 71,238
Contributions as a percentage of covered payroll	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.87%	11.12%	8.59%	6.01%

**COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

Change from adopted budget to final budget:

Original budget	\$ 193,222,797	
Add: Prior year's encumbrances	<u>229,799</u>	
Adopted budget		\$ 193,452,596
Budget revisions relating to:		
Insurance recoveries		202,780
Gifts and donations		<u>20,855</u>
Final budget		<u><u>\$ 193,676,231</u></u>

§1318 of real property tax law limit calculation:

2019-2020 voter-approved budget		<u><u>\$ 197,062,213</u></u>
Maximum allowed (4% of 2019-2020 budget)		<u><u>\$ 7,882,489</u></u>
General Fund fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 7,102,967	
Unassigned fund balance	<u>5,832,414</u>	\$ 12,935,381
Less:		
Appropriated fund balance	6,805,805	
Encumbrances	<u>297,162</u>	<u>7,102,967</u>
General Fund fund balance subject to §1318 of real property tax law		<u><u>\$ 5,832,414</u></u>
Actual percentage		<u><u>2.96%</u></u>

COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

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**OTHER
SUPPLEMENTARY
INFORMATION**

**COMMACK UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital assets, net		\$ 91,718,014
Add:		
Deferred charges for advance refunding		1,168,469
Deduct:		
Short-term portion of bonds payable	\$ 6,399,475	
Long-term portion of bonds payable	32,688,193	
Short-term portion of energy performance contract payable	1,326,428	
Long-term portion of energy performance contract payable	<u>11,815,705</u>	<u>52,229,801</u>
Net investment in capital assets		<u><u>\$ 40,656,682</u></u>

COMMACK UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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INDEPENDENT AUDITOR'S REPORT
ON EXTRACLASROOM ACTIVITY FUNDS FINANCIAL STATEMENT

To the Board of Education of the
Commack Union Free School District
Towns of Huntington and Smithtown, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Commack Union Free School District (the "District") for the year ended June 30, 2019, and the related note to financial statement, which collectively comprise the financial statement of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free 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 opinion.

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Commack Union Free School District for the year ended June 30, 2019 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Melville, New York
October 3, 2019

A handwritten signature in cursive script that reads "Nawrocki Smith LLP".

COMMACK UNION FREE SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
High School:				
Art Club	\$ 2,092.56	\$ 500.00	\$ 1,254.83	\$ 1,337.73
ASL	3,978.26	1,034.03	273.37	4,738.92
Astronomy Club	107.43	217.00	137.56	186.87
Best of Buds	471.84	1,354.44	649.32	1,176.96
Bible Club	654.90	-	40.96	613.94
Boys Leader Corp.	4,858.92	500.00	500.00	4,858.92
Brainstormers	310.39	164.92	290.84	184.47
Business	1,055.04	400.55	1,059.07	396.52
Cause of PAWS	2,067.38	368.00	1,166.52	1,268.86
Chess Club	708.83	-	-	708.83
Class of 2018	23,258.89	200.00	23,458.89	-
Class of 2019	24,238.17	61,622.04	77,206.21	8,654.00
Class of 2020	514.08	34,416.00	10,497.85	24,432.23
Class of 2021	1,975.55	1,200.00	362.00	2,813.55
Class of 2022	1,000.00	890.00	1,204.75	685.25
Class of 2023	-	1,000.00	-	1,000.00
Computer Club	1,504.64	253.00	115.84	1,641.80
Environmental Awareness	3,182.96	303.00	217.20	3,268.76
Etchings	2,370.10	142.00	108.63	2,403.47
Fashion Club	4,426.71	450.00	150.00	4,726.71
FASTA	2,857.15	385.00	660.34	2,581.81
FBLA	1,054.91	13,047.40	14,102.31	-
Field Trips	77.00	44,067.81	44,090.81	54.00
French H.S.	443.46	671.00	718.70	395.76
Future Educators	525.63	436.00	642.41	319.22
Future Eng.	4,694.57	120.00	878.27	3,936.30
Future Health Professionals	493.09	-	-	493.09
Gay/Straight Alliance	938.57	-	-	938.57
Girl's Leader Corp	5,007.88	-	500.00	4,507.88
Glamour Girls	295.59	285.00	370.17	210.42
Grandfriends	1,791.00	624.00	800.00	1,615.00
Greenhouse Club	286.96	230.25	86.88	430.33
Habitat for Humanity	701.31	472.06	-	1,173.37
Hebrew Culture club	503.10	-	-	503.10
History	13,911.18	4,161.00	3,451.01	14,621.17
Human Rights Club	99.23	286.00	123.08	262.15
ICS	3,489.35	1,857.00	1,159.28	4,187.07
International Thespian Soc.	11,606.88	4,806.18	6,774.93	9,638.13
Italian	2,521.09	1,292.25	3,011.34	802.00
Latin	870.76	605.00	799.94	675.82
LIT	5,120.94	3,050.00	5,230.86	2,940.08
Literary Club	144.65	-	-	144.65
Masque and Wig	17,432.48	11,488.99	12,321.75	16,599.72
Math H.S.	11,958.61	1,652.50	10,237.32	3,373.79
Mock Trial	171.18	772.61	817.68	126.11
Model UN	4,204.91	-	-	4,204.91
Multimedia Club	228.00	-	68.00	160.00
NAHS	1,616.99	5,890.95	5,279.19	2,228.75
National H.S.	2,666.35	8,494.00	7,871.80	3,288.55
Pathways	441.80	366.00	444.36	363.44
Pay it Forward	899.32	442.76	547.52	794.56
Peer Leadership	1,030.50	465.26	539.44	956.32
Photography/Camera Club	1,728.49	201.00	433.11	1,496.38
Plan 9 Peer Leadership Adv.	313.09	252.00	115.84	449.25
Political Activism	818.12	-	-	818.12
Radio Club	6,428.29	-	-	6,428.29
SADD	239.64	467.85	304.08	403.41
School Store	198.50	1,570.00	1,032.55	735.95
Science H.S.	8,672.66	2,406.77	7,586.54	3,492.89
Science Olympiad	1,062.58	-	577.24	485.34
Spanish H.S.	3,330.76	2,603.90	4,994.90	939.76
Student Council	157,633.87	45,851.50	40,480.96	163,004.41
Tech H.S.	1,309.00	3,552.81	2,879.72	1,982.09
Tri-M	1,865.96	1,468.00	1,610.98	1,722.98
Yearbook	17,516.21	14,362.83	21,794.66	10,084.38
	\$ 377,978.26	\$ 283,720.66	\$ 322,031.81	\$ 339,667.11

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

COMMACK UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
Middle School:				
Art Club	\$ 42.08	\$ -	\$ -	\$ 42.08
Best Buddies	39.71	-	-	39.71
Digital Media Club	169.63	-	-	169.63
Fashion Club	200.00	-	-	200.00
Field Trips	-	9,820.00	9,820.00	-
Flip It	233.51	-	-	233.51
International Cooking Club	340.42	-	-	340.42
Leaders Club	14,405.79	4,517.68	5,564.99	13,358.48
National Jr. Honor Society	8,469.96	4,206.79	1,998.09	10,678.66
Natures Exploration and Earth Protection	239.10	-	-	239.10
Pride Club	-	608.77	577.37	31.40
Rocket Club	657.96	617.00	552.47	722.49
Scarpsters	224.95	-	-	224.95
School Store	828.03	278.00	460.01	646.02
Science Olympiad	120.70	752.11	314.92	557.89
Student Council	32,918.06	61,929.58	87,056.22	7,791.42
Tri-M Society	1,494.99	1,995.00	1,939.64	1,550.35
Woodworking Club	23.72	275.00	214.75	83.97
Yearbook	4,473.34	4,364.50	1,786.91	7,050.93
	<u>\$ 64,881.95</u>	<u>\$ 89,364.43</u>	<u>\$ 110,285.37</u>	<u>\$ 43,961.01</u>

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

COMMACK UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-19-0461	\$ 1,920,472
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-19-0461	<u>65,932</u>
Total Special Education Cluster			1,986,404
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-19-1680	211,289
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-18-1680	5,077
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-19-1680	37,829
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-18-1680	82,829
ESEA, Title III, Part A, Language Enhancement and Academic Achievement Act	84.365A	0293-19-1680	19,778
ESEA, Title III, Part A, Language Enhancement and Academic Achievement Act	84.365A	0293-18-1680	4,947
ESEA, Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	0204-19-3100	<u>10,782</u>
Total U.S. Department of Education			<u>2,358,935</u>
<u>U.S. Department of Agriculture</u>			
<u>Passed Through Program From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>428,108</u>
Total Child Nutrition Cluster			<u>428,108</u>
Total U.S. Department of Agriculture			<u>428,108</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 2,787,043</u></u>

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

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Commack Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

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

3. INDIRECT COSTS

The Commack Union Free School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Education of the
Commack Union Free School District
Towns of Huntington and Smithtown, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Commack Union Free School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control Over Financial Reporting

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

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

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

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
October 3, 2019

A handwritten signature in cursive script that reads "Nawrocki Smith LLP".



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

To the Board of Education of the
Commack Union Free School District
Towns of Huntington and Smithtown, New York:

Report on Compliance for Each Major Federal Program

We have audited the Commack Union Free School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended June 30, 2019.

NawrockiSmith

Report on Internal Control Over Compliance

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

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

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

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

Melville, New York
October 3, 2019



COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

1. Summary Of Auditor's Results:

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

CFDA Number

Name of Federal Program

84.027A

U.S. Department of Education -
IDEA Part B Section 611 Special Education Grants to States

84.173A

IDEA Part B Section 619 Special Education Preschool Grants

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

2. Findings - Financial Statement Audit

None reported.

3. Findings And Questioned Costs - Major Federal Award Program Audit

None reported.

COMMACK UNION FREE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Findings - Financial Statement Audit

None reported.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

COMMACK UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS AND RECOMMENDATIONS:

We noted no other areas of improvement as a result of our audit procedures for the current year.

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

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

July 9, 2020

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

Ladies and Gentlemen:

We have acted as Bond Counsel to Commack Union Free School District (the “School District”), in the County of Suffolk, New York, a school district of the State of New York, in connection with the authorization, sale, and issuance of the \$5,515,000 School District Refunding Serial Bonds-2020 (the “Bonds”), dated and delivered on the date hereof.

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

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

1. The Bonds are valid and legally binding general obligations 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 Bonds and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds 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 Bonds 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 Bonds 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 Bonds in order that the interest on the Bonds be and remain excludable from gross income 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 Bonds, restrictions on the investment of proceeds of the Bonds 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 Bonds 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 Bonds, the School District will execute a Tax Certificate relating to the Bonds 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 Bonds 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 Bonds, 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 Bonds 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 Bonds, 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 Bonds.

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

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“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 Commack 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, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the President of the Board of Education as of June 17, 2020.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$5,515,000 School District Refunding Serial Bonds-2020**, dated July 9, 2020, maturing in various principal amounts on September 1 in each of the years 2021 to 2028, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York, to the EMMA System:

- (i) no later than six (6) months following the end of each fiscal year, commencing with the fiscal year ending June 30, 2020, the Annual Information relating to such fiscal year, together with audited financial statements of the Issuer for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided with

the Annual Information no later than six (6) months following the end of each fiscal year, and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17 (a)(2) of the Securities Act of 1933; and

- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of 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;
 - (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; and
- (iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(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 material event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings: "THE DISTRICT", "ECONOMIC AND DEMOGRAPHIC INFORMATION", "INDEBTEDNESS OF THE DISTRICT", "FINANCES OF THE DISTRICT", "RECENT OPERATING RESULTS," "TAX INFORMATION " , "CYBERSECURITY" and "LITIGATION" and in Appendix B.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm.

Section 5. 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 6. 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 7. 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 modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) 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 7 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 8. 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 pursuant to 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.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. 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 10. 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 **July 9, 2020**.

COMMACK UNION FREE SCHOOL DISTRICT

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