

PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2017

REFUNDING SERIAL BONDS

BOOK-ENTRY-ONLY BONDS
RATING – MOODY’S: “ ”
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 imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. 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.

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

\$7,050,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017
(the “Bonds”)

See Bond Maturity Schedule Herein

Security and Sources of Payment: 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.

Prior Redemption: The Bonds are not subject to redemption prior to maturity.

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

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

The Bonds are offered subject to approval by the State Comptroller of the Certificate of the President of the Board of Education of the District executed pursuant to Section 90.10(g) of the Local Finance Law.

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on June 1, 2017 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 June 21, 2017 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 , 2017

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

\$7,050,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS - 2017

BOND MATURITY SCHEDULE

Dated: Date of Delivery

**Principal Due: June 15, 2018-2029, inclusive
Interest Due: December 15, 2017, and semi-
annually thereafter on June
15 and December 15 in each
year to maturity**

<u>Amount**</u>	<u>Maturity</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP #</u>
\$ 655,000	June 15, 2018			
530,000	June 15, 2019			
620,000	June 15, 2020			
610,000	June 15, 2021			
605,000	June 15, 2022			
600,000	June 15, 2023			
590,000	June 15, 2024			
585,000	June 15, 2025			
575,000	June 15, 2026			
565,000	June 15, 2027			
560,000	June 15, 2028			
545,000	June 15, 2029			

*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 58.00 9(c)(2) of the Local Finance Law.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

60 Weston Street
Huntington Station, New York 11746
Telephone: 631/812-3001
Fax: 631/812-3005

BOARD OF EDUCATION

James Kaden, President
Nicholas R. Ciappetta, J.D., Vice President

Board Members

Lisa Brieff
Laura Carey
Michele Degaetano

Linda LaCara
Edward J. Nitkewicz, J.D.

Dr. David P. Bennardo, Superintendent of Schools
Dr. Joseph T. Centamore, Assistant Superintendent for Business and District Operations
Laura McLean, District Clerk
Christine Rapp, District Treasurer

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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
SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

\$7,050,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017

[BOOK-ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the South Huntington Union Free School District, in the County of Suffolk, in the State of New York (the "District" and "State," respectively) in connection with the sale of \$7,050,000* School District Refunding Serial Bonds - 2017 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on June 15 in each of the years 2018 to 2029, inclusive, as set forth on the inside cover page hereof.

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

Interest on the Bonds will be payable December 15, 2017, and semiannually on June 15 and December 15 in each year to maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

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

Optional Redemption

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

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The 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”). 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 October 19, 2016 (the “Refunding Bond Resolution”), authorizing the refunding of all or a part of the School District Serial Bonds – 2010 Series A (the “2010A Bonds”), maturing in each of the years 2018 to 2029, and all or a part of the School District Serial Bonds – 2010 Series B (the “2010B Bonds”) maturing in each of the years 2018 to 2029, inclusive, which are currently outstanding in the principal amount of \$3,900,000 and \$3,500,000 respectively.

Summary of Refunded Bonds (the “Refunded Bonds”)

<u>2010A Bonds</u> <u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Call Date</u>	<u>Call</u> <u>Price</u>	<u>CUSIP</u> <u>Numbers</u>
06/15/2018	300,000	3.000%	07/21/2017	100.00%	838418NP2
06/15/2019	300,000	3.250	07/21/2017	100.00	838418NQ0
06/15/2020	300,000	3.500	07/21/2017	100.00	838418NR8
06/15/2021	300,000	3.500	07/21/2017	100.00	838418NS6
06/15/2022	300,000	3.625	07/21/2017	100.00	838418NT4
06/15/2023	300,000	3.750	07/21/2017	100.00	838418NO1
06/15/2024	300,000	4.000	07/21/2017	100.00	838418NV9
06/15/2025	300,000	4.000	07/21/2017	100.00	838418NW7
06/15/2026	300,000	4.000	07/21/2017	100.00	838418NX5
06/15/2027	300,000	4.000	07/21/2017	100.00	838418NY3
06/15/2028	300,000	4.000	07/21/2017	100.00	838418NZ0
06/15/2029	300,000	4.000	07/21/2017	100.00	838418PA3

<u>2010B Bonds</u> <u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Call Date</u>	<u>Call</u> <u>Price</u>	<u>CUSIP</u> <u>Numbers</u>
06/15/2018	\$ 250,000	2.250%	-	-	838418PJ4
06/15/2019	250,000	2.250	06/15/2018	100.00%	838418PK1
06/15/2020	275,000	2.375	06/15/2018	100.00	838418PL9
06/15/2021	275,000	3.000	06/15/2018	100.00	838418PM7
06/15/2022	275,000	3.000	06/15/2018	100.00	838418PN5
06/15/2023	275,000	3.000	06/15/2018	100.00	838418PP0
06/15/2024	275,000	3.000	06/15/2018	100.00	838418PQ8
06/15/2025	275,000	3.000	06/15/2018	100.00	838418PR6
06/15/2026	275,000	3.125	06/15/2018	100.00	838418PS4
06/15/2027	275,000	3.250	06/15/2018	100.00	838418PT2
06/15/2028	275,000	3.250	06/15/2018	100.00	838418PU9
06/15/2029	275,000	3.375	06/15/2018	100.00	838418PV7

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.

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 on the previous page. 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 The Bank of New York Mellon (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, interest on the premium payable with respect to the Refunding 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.....	_____
Issuer Contribution.....	_____
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 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*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the 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, located in the Town of Huntington comprises an area of approximately 10 square miles on the eastern side of the boundary line between Nassau and Suffolk Counties on Long Island. Located about 35 miles from New York City, the District is residential in nature but includes some significant commercial development, such as the Walt Whitman Shopping Center and other retail and banking establishments on New York State Route 110, which traverses the District. In addition to employment opportunities in or near the District, many residents commute to New York City or Nassau County.

Public utility services, fire and police protection are provided to residents of the District by Suffolk County Water Authority, PSEG Long Island, Huntington Township Refuse, Huntington Manor Fire Department, Suffolk County Police Department and Verizon.

Air transportation is available at the New York metropolitan airports; the Long Island Railroad has two stations located just outside the District. In addition, the District is served by the Long Island Expressway, New York State Routes 25 and 110 and numerous County and other local roads providing adequate surface transportation.

District Organization

The District is an independent entity governed by an elected board of education comprised of seven members. District operations are subject to the provisions of the State 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 in the spring of each year. 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 at the pleasure of 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 the Assistant Superintendent for Business and District Operations.

Enrollment History

<u>School Year</u>	<u>School Enrollment</u>
2011-2012	6,018
2012-2013	6,079
2013-2014	6,040
2014-2015	6,065
2015-2016	6,101

Estimated Future District Enrollment

<u>School Year</u>	<u>School Enrollment</u>
2016-2017	6,087
2017-2018	5,859
2018-2019	6,340

School Facilities and Insurable Values

<u>Name of School</u>	<u>Year Originally Built</u>	<u>Type</u>	<u>Insured Value</u>
Walt Whitman High	1956, 1963	Secondary	\$89,385,460
Memorial	1958	Leased	47,483,309
Stimson Jr. High	1964	Secondary	42,684,024
Birchwood	1955	Elementary	21,277,225
Countrywood	1964, 1966	Elementary	22,908,745
Maplewood	1956, 1961	Elementary	21,216,558
Oakwood	1955, 1966	Elementary	22,333,078
Silas Wood	1951, 1964	Secondary	21,995,856
West Hill	1958	Admin. Bldg	11,317,228
#2 Melville Road	1975	Leased	5,730,920
Teen Center	1961	Leased/Alt. H.S.	1,414,705
Bus Garage	2008	Transp. Bldg	2,609,196
South Huntington Library	2004	Library	14,852,600

Employees

The District provides services through approximately 1,058 employees, the majority of whom are represented by the following units of organized labor:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
South Huntington Teachers' Association	6/30/18	551
South Huntington Administrator's Association	6/30/18	29
United Public Service Employees Local 424-Custodians	6/30/16 ^a	120
South Huntington Office Staff Association	6/30/20	86
United Public Service Employees Local 424-School Lunch Workers	6/30/19	41
South Huntington Registered Nurses Association	6/30/19	14
South Huntington Paraprofessionals Association	6/30/20	190
South Huntington Chairpersons Association	6/30/19	6
United Public Service Employees Local 424 - Security	6/30/19	21
United Public Service Employees Local 424 - Security - Safety Officers Unit	6/30/19	13

a. Currently in negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth estimated population statistics for the Town of Huntington, Suffolk County and the State of New York.

<u>Year</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>New York State</u>
1980	201,530	1,284,231	17,558,165
1990	191,474	1,321,864	18,044,505
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2015	204,410	1,501,587	19,795,791

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

Income Data

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Huntington	\$24,810	\$36,390	\$45,590	\$49,822
Suffolk County	18,481	26,577	35,411	38,599
New York State	16,501	23,389	30,791	34,297

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Huntington	\$60,530	\$82,528	\$101,495	\$103,156
Suffolk County	49,128	65,288	84,235	88,340
New York State	32,965	43,393	55,217	60,850

Source: United States Bureau of the Census

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

Largest Employers

<u>Code</u>	<u>Name of Employer</u>	<u>Nature of Business</u>
A	South Huntington UFSD	Education
B	Walt Whitman Centre, Inc.	Shopping Mall
B	Target, Inc.	Retail

KEY:

<u>Code</u>	<u>Number of Employees</u>
A	more than 1,000
B	500-100

Source: Town of Islip Economic Development Division.

a. Not all of the employers are located in the District.

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Town of Huntington (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2012	6.6	7.8	8.6
2013	5.6	6.5	7.7
2014	4.5	5.3	6.4
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017 (2 Month Average)	4.3	4.8	5.1

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the 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 within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or in the alternative the weighted average maturity of the several objects or purposes contracted and thereof; 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.

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

Computation of Debt Limit and Calculation of Total Indebtedness
(As of May 18, 2017)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Huntington (2016-2017) ^a	\$43,291,600	0.85	\$5,093,129,412
Debt Limit - 10% of Full Valuation			509,312,941
Inclusions: ^b			
Outstanding Bonds			\$36,285,000
Previously - Refunded Bonds			<u>5,680,000</u>
Total Indebtedness			<u>41,965,000</u>
Exclusions (Estimated Building Aid) ^c			<u>17,442,029</u>
Total Net Indebtedness			<u>24,522,971</u>
Net Debt Contracting Margin			<u>\$484,789,970</u>
Per Cent of Debt Contracting Margin Exhausted (%)			4.81%

- a. The latest completed assessment roll for which a State Equalization Rate has been established.
- b. Tax Anticipation Notes, Energy Performance Leases and Revenue Anticipation Notes are not included in the 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 most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefor may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

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

Outstanding Long-Term Bond Indebtedness

The following table sets forth the total long-term bond indebtedness outstanding at the end of the last five completed fiscal years.

Trend of Outstanding Debt

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$49,485,000	\$51,685,000	\$47,665,000	\$43,795,000	\$39,005,000
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	<u>\$49,485,000</u>	<u>\$51,685,000</u>	<u>\$47,665,000</u>	<u>\$43,795,000</u>	<u>\$39,005,000</u>

Debt Service Requirements - Outstanding Bonds and Refunding Bonds

<u>FYE June 30:</u>	<u>Outstanding Debt Service</u>	<u>Refunding Debt Service</u>	<u>Sub-Total</u>	<u>Less: Debt Service to be Refunded</u>	<u>Net After Issuance of Refunding Bonds</u>
2017	\$5,341,150				
2018	5,150,288				
2019	4,733,575				
2020	4,323,613				
2021	4,240,144				
2022	4,173,131				
2023	3,512,281				
2024	3,505,269				
2025	3,069,063				
2026	3,013,250				
2027	2,606,237				
2028	1,878,419				
2029	1,440,757				
2030	311,250				
Totals	<u>\$47,298,427</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Debt Service Requirements – Energy Performance Contract^a

<u>FYE June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 624,404	\$ 350,459	\$ 974,863
2018	670,547	329,295	999,842
2019	719,135	300,345	1,019,480
2020-2024	4,147,691	1,053,721	5,201,412
2025-2027	<u>2,894,017</u>	<u>226,831</u>	<u>3,120,848</u>
Totals	<u>\$9,055,794</u>	<u>\$2,260,651</u>	<u>\$11,316,445</u>

a. Does not include payments made to date, if any.

Revenue and Tax Anticipation Notes

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

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

<u>FYE June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2013	\$20,000,000	TAN	9/19/2012	6/27/2013
2014	21,000,000	TAN	10/3/2013	6/26/2014
2015	15,000,000	TAN	10/23/2014	6/26/2015
2016	15,000,000	TAN	10/20/2015	6/28/2016
2017	17,000,000	TAN	10/27/2016	6/27/2017

Authorized But Unissued Items

Aside from the bond resolution authorizing the issuance of the Bonds, as of the date of this Official Statement the District has no authorized and unissued debt.

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	6/9/2016	2.92	\$64,133,627	\$38,983,664
Town of Huntington	7/22/2016	13.81	14,452,854	11,142,296
Fire Districts (Est.)	12/31/2014	Var.	<u>500,000</u>	<u>500,000</u>
Totals			<u>\$79,086,481</u>	<u>\$50,625,960</u>

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

Debt Ratios
(As of May 18, 2017)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$ 46,455,000	\$1,177	0.92
Net Direct Debt	27,146,780	688	0.54
Total Direct & Applicable Total Overlapping Debt	125,541,481	3,180	2.48
Net Direct & Applicable Net Overlapping Debt	77,772,740	1,970	1.54

a. The current estimated population of the District is 39,476.

b. The full valuation of taxable real property in the District for 2016-17 is \$5,093,129,412.

FINANCES OF THE DISTRICT

Independent Audit

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

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-2018 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2016-2017 and 2017-2018 may be found in Appendix A, herein.

Revenues

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

Real Property Taxes

See "*Tax Information*" herein.

State Aid

In addition to the amount of State aid budgeted by the District, the State is expected to make STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (See “*STAR - School Tax Exemption*” herein).

The District is dependent in part on financial assistance from the State in the form of State Aid for both operating and capital purposes. The District received approximately 20.86% of its total General Fund revenue from State aid in the 2015-2016 fiscal year and 21.22% in 2016-2017 fiscal year. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year cut in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. (See “*Events Affecting State Aid to New York State School Districts*” herein).

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

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

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

School district fiscal year (2017-2018): The State Legislature adopted the State budget on April 12, 2017. The budget includes an increase of \$1.1 billion in State aid for school districts over the 2016-2017 budget, including a \$700 million increase in foundation aid.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State’s own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment (“GEA”). The GEA is a negative number (funds that are deducted from the State aid originally due to the District under existing State aid formulas). The District’s State aid was reduced as a result of the GEA program since 2009. Recent State budgets have decreased the amount of the GEA deduction. The Adopted Budget for the State’s 2016-2017 fiscal year included the elimination of the remaining balance of the GEA, resulting in more State aid to the District in the 2016-2017 fiscal year; however, it does not make the District whole for reductions in State aid during the period in which the GEA was implanted by the State.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to financed improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District’s estimated allocation of funds is \$3.5 million.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year and during the District’s 2016-2017 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 2012 through 2016, inclusive, as presented in the audited financial statements for such years and the budgeted amounts for fiscal year 2017.

<u>FYE June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2012	\$135,295,601	\$25,113,762	18.56
2013	139,499,124	26,825,876	19.23
2014	142,521,844	27,458,620	19.27
2015	146,718,231	30,125,305	20.53
2016	150,445,682	31,386,968	20.86
2017 (Budgeted) ^a	159,004,073	33,740,332	21.22

a. Budgeted Revenues include the application of reserves and fund balances.

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.

Employee Pension System

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

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

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

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

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

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

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 21 years. Under the ERS SCO, payment of deferred amounts begins the year immediately following its deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

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

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

<u>FYE June 30:</u>	<u>TRS</u>	<u>ERS</u>
2012	5,223,802	\$3,295,133
2013	6,290,176	3,754,298
2014	8,904,857	3,188,814
2015	9,130,481	3,407,588
2016	10,004,554	3,267,627

Source School District

Other Post Employment Benefits

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

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

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

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

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

The following tables, as presented in the audited financial statement for the fiscal year ending June 30, 2016, show the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>FYE June 30:</u>
Annual required contribution (ARC)	\$14,757,607
Interest on net OPEB obligation	2,433,353
Less: Adjustments to ARC	<u>(3,383,417)</u>
Annual OPEB cost (expense)	13,807,543
Less: Contributions made	<u>(4,701,673)</u>
Increase in net OPEB obligation	9,105,870
Net OPEB obligation-beginning of year	<u>60,833,832</u>
Net OPEB obligation-end of year	<u><u>\$69,939,702</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the preceding two years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$13,807,543	34	\$69,939,702
June 30, 2015	12,400,970	34	60,833,832
June 30, 2014	12,033,236	36	52,679,033

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability.

In February of 2015, the OSC 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. 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.

TAX INFORMATION

Real Property Taxes

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

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

<u>FYE June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2012	\$135,295,601	\$87,215,097	64.46
2013	139,499,124	90,543,552	64.91
2014	142,521,844	93,567,610	65.65
2015	146,718,231	95,680,811	65.21
2016	150,445,682	97,288,411	64.67
2017 (Budgeted)	159,004,073	110,621,172	69.57

Note: Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

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

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

The Tax Levy Limit Law

Chapter 97 of the 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. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Approximately 9% of the District's 2015-2016 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 9% of the District's 2016-2017 school tax levy is expected to be exempted by the STAR program. (See "State Aid" herein).

Valuations, Rates, Levies and Collections

<u>FYE</u> <u>June 30</u>	<u>Assessed</u> <u>Valuation</u>	<u>State</u> <u>Equal.</u> <u>Rate (%)</u>	<u>Full Valuation</u>	<u>Tax Rate</u> <u>Per \$1,000</u> <u>Assessed</u> <u>Valuation</u>	<u>Tax Levy</u>	<u>Amount</u> <u>Uncollected</u>
2013	\$44,687,544	0.90	\$4,965,282,667	\$2,327.17	\$103,995,434	\$0
2014	44,388,223	0.90	4,932,024,778	2,413.70	107,139,711	0
2015	44,012,287	0.89	4,945,200,787	2,468.71	108,653,751	0
2016	43,545,651	0.86	5,063,447,791	2,537.82	110,510,917	0
2017	43,291,600	0.85	5,093,129,412	2,553.97	110,621,237	0

Source: Town of Huntington and State of New York

Selected Listing of Large Taxable Properties
2016-2017 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
The Retail Property Trust	Shopping Center	\$2,000,000
Long Island Power Authority	Utility	429,357
Federal Realty Investment Trust	Commercial	385,000
Target Corporation	Shopping Center	203,250
Keyspan Corporation	Utility	187,242
S & L Birchwood Realty, LLC	Commercial	80,000
K98 Senior LLC	Home for Aged	80,000
Cold Spring Country Club Inc.	Golf Course	76,168
CAF Huntington LLC	Commercial	72,500
Weiss Family Enterprises LLC	Commercial	71,900
Hren B Realty LLC	Commercial	70,000
Kahn Property Owner LLC	Shopping Center	69,400
LG Other Associates LLC	Commercial	66,775
Verizon	Utility	65,886
CCD Realty LLC	Commercial	62,000
	Total	<u><u>\$3,919,478</u></u>

a. Represents 9.05% of the 2017 Assessed Valuation.
Source: Town of Huntington

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.

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

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

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

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

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

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

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

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

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 imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the 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 regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 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 means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 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, may 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) and 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.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the District shall furnish a certificate of the School District Attorney, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect and enforce the collection of taxes or other revenues for the payment of the Bonds, which has not been disclosed in this Official Statement.

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" to this Official Statement.

Closing Certificates

Upon the delivery of the Bonds, the Purchaser will be furnished with the following items: (i) a Certificate of the President of the Board of Education and the certain other District Officials to the effect that as of the date of the Official Statement and at all times subsequent thereto, up to and including the time of delivery of the Bonds, the Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Bonds; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the District evidencing payment for the Bonds; (iii) a Signature Certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the District nor the title of any of the officers thereof to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (iv) a Tax Certificate executed by the President of the Board of Education, as described under "*Tax Matters*," herein.

DISCLOSURE UNDERTAKING

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

Disclosure Compliance History

Pursuant to Undertakings previously entered into by the District, the District is required to file the Statement of Financial and Operating Information within 180 days of the end of the fiscal year along with audited financial statements, if available. If the audited financial statement is not available at such time, it is filed following the receipt by the District of the audited financial statement for the preceding fiscal year, but in no event, not later than the last business day of each such succeeding fiscal year.

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

<u>Fiscal Year Ending June 30:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2012	12/28/2012	12/28/2012
2013	12/30/2013	12/30/2013
2014	12/12/2014	11/17/2014
2015	12/09/2015	10/20/2015
2016	12/15/2016	10/12/2016

Certain annual information for the previous five fiscal years were each filed with EMMA more than 180 days following the end of each respective fiscal year; but in no event later than 183 days following the end of each respective year. Such confusion arose from the miscalculation of 180 days from the end of each respective fiscal year. Such matter has been remedied and all future annual disclosure documents will be filed on a timely basis.

On October 10, 2013, the District filed a material event notice regarding the status of the ratings of the bond insurers on various bonds issued by the District. Since the fall of 2008, there have been in excess of 25 rating actions on bond insurers reported by Moody's, Standard & Poor's and Fitch. Due to widespread knowledge of the downgrades to such bond insurers, material event notices were not filed pursuant to every rating action. The underlying credit of the District was not affected by downgrades to the bond insurance companies.

On April 16, 2010, Moody's Investor Services recalibrated the U.S. Municipal ratings from municipal scale to the global scale. The District's rating was recalibrated to "Aa2." As this was a system wide recalibration by Moody's and not considered an upgrade, a material event was not filed at the time.

On September 8, 2014, the District filed a material event notice indicating that they did not file in a timely manner with regard to a rating change for the outstanding bonds of the District. On September 1, 2011, Moody's Investors Service upgraded the rating on the District's (NY) outstanding General Obligation (GO) bonds from "Aa2" to "Aa1."

RATING

The District has applied to Moody's Investors Service ("Moody's") for a rating on the Bonds and such rating is pending at this time. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's, 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

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: (1) 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, and (2) the computations of the yield on both the Government Obligations and the Bonds contained in the provided schedules to be used by Hawkins Delafield & Wood LLP, as Bond Counsel to the District for the Bonds, in its determination that the interest on the Bonds is excludable from gross income for Federal income tax purposes. 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 Joseph T. Centamore, Assistant Superintendent for Business and District Operations, South Huntington Union Free School District, 60 Weston Street, Huntington Station, NY 11746, Phone (631) 812-3001, Fax (631) 812-3005 and email: jcentamore@shufsd.org 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, unauthorized editing, or for any updates to dated website information.

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 87,215,097	\$ 90,543,552	\$ 93,567,610	\$ 95,680,811	\$ 97,288,411
Other Tax Items - Including STAR	13,186,861	13,452,503	13,572,709	12,974,382	13,223,851
Charges for Services	3,052,711	2,999,691	2,891,318	2,536,464	2,218,897
Use of Money and Property	1,442,063	1,484,741	1,455,853	1,470,989	1,520,951
Sale of Property & Compensation for Loss	6,450	52,642	47,592	52,370	10,220
Miscellaneous	3,013,999	1,780,440	1,134,442	1,235,821	1,650,021
Interfund Revenues	2,264,658	2,266,237	2,393,700	2,531,971	2,842,703
State Sources	25,113,762	26,825,876	27,458,620	30,125,305	31,386,968
Federal Sources		93,442	0	110,118	303,660
Total Revenues	<u>135,295,601</u>	<u>139,499,124</u>	<u>142,521,844</u>	<u>146,718,231</u>	<u>150,445,682</u>
Expenditures:					
General Support	12,418,287	11,832,474	12,046,345	13,040,775	13,784,670
Instruction	80,224,469	76,337,484	77,372,505	80,450,711	85,827,171
Pupil Transportation	7,796,445	7,896,541	7,822,857	8,284,759	8,281,923
Community Service	15,442	12,532	17,482	14,838	15,101
Employee Benefits	30,786,964	31,461,323	34,189,412	36,042,659	35,838,411
Debt Service	5,771,815	7,399,986	7,068,020	6,839,992	6,774,631
Total Expenditures	<u>137,013,422</u>	<u>134,940,340</u>	<u>138,516,621</u>	<u>144,673,734</u>	<u>150,521,907</u>
Other Sources and Uses:					
Operating Transfers (In)	0	0	0	161,193	84,415
Operating Transfers (Out)	<u>(248,189)</u>	<u>(250,000)</u>	<u>(364,625)</u>	<u>(300,000)</u>	<u>(300,000)</u>
Total Other Sources and Uses	<u>(248,189)</u>	<u>(250,000)</u>	<u>(364,625)</u>	<u>(138,807)</u>	<u>(215,585)</u>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,966,010)	4,308,784	3,640,598	1,905,690	(291,810)
Net Adjustments to Fund Balances					
Fund Balance - Beg. of Year	<u>27,417,328</u>	<u>25,451,318</u>	<u>29,760,102</u>	<u>33,400,700</u>	<u>35,306,390</u>
Fund Balance - End of Year	<u>\$ 25,451,318</u>	<u>\$ 29,760,102</u>	<u>\$ 33,400,700</u>	<u>\$ 35,306,390</u>	<u>\$ 35,014,580</u>

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Balance Sheet - General Fund
Fiscal Year Ended June 30, 2016

ASSETS:

Cash	
Unrestricted	\$ 19,016,853
Restricted	20,532,118
Receivables:	
Accounts Receivable	63,373
State and Federal Aid	1,434,697
Due From Other Governments	1,739,803
Due From Other Funds	<u>3,782,579</u>
 Total Assets	 \$ <u><u>46,569,423</u></u>

LIABILITIES:

Payables:	
Accounts Payable	\$ 671,730
Accrued Liabilities	519,715
Due To Other Governments	224,429
Due To Other Funds	
Due To Teachers' Retirement System	8,325,004
Due To Employees Retirement System	937,374
Deferred Revenues	490,836
Unearned Credits - Collections in Advance	4,671
Compensated Absences	<u>381,084</u>
 Total Liabilities	 \$ <u>11,554,843</u>

FUND BALANCES:

Non-spendable	
Restricted	20,532,118
Assigned	7,960,810
Unassigned	<u>6,521,652</u>
 Total Fund Balances	 \$ <u>35,014,580</u>
 Total Liabilities and Fund Balances	 \$ <u><u>46,569,423</u></u>

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Budget Summary

Fiscal Year Ending June 30:

	<u>2016-2017(a)</u>	<u>2017-2018(b)</u>
Revenues:		
Real Property Taxes	\$ 110,621,172	\$ 112,183,534
State Aid	33,740,332	35,090,153
Use of Money & Property	1,600,000	1,600,000
Intergovernmental Funds	2,224,357	2,225,000
Health Fees	1,900,000	1,900,000
Insurance Contributions	2,500,000	2,500,000
Reserves	1,000,000	1,893,753
Miscellaneous Income	518,212	502,400
Appropriated Fund Balance	<u>4,900,000</u>	<u>4,900,000</u>
Total Revenues	<u>\$ 159,004,073</u>	<u>\$ 162,794,840</u>
Expenditures:		
General Support	\$ 19,392,739	\$ 15,020,652
Instruction	84,093,519	91,777,466
Pupil Transportation	8,621,054	9,717,827
Community Services	26,700	26,700
Employee Benefits	37,202,575	36,910,000
Medicare Reimbursements	990,000	1,100,000
Debt Service	8,377,486	7,927,195
Interfund Transfers	<u>300,000</u>	<u>315,000</u>
Total Expenditures	<u>\$ 159,004,073</u>	<u>\$ 162,794,840</u>

(a) Approved by the voters of the District on May 17, 2016

(b) Approved by the voters of the District on May 16, 2017

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

APPENDIX B

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

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

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

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Robert S. Abrams
(1926-2014)



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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Huntington Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234

www.rsabrams.com

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 17 and 59 through 63, 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 South Huntington Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the South Huntington Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Huntington Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 19, 2016

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

1. FINANCIAL HIGHLIGHTS

- The District advance refunded the 2006, 2007, 2008 and 2009 serial bonds to reduce its total debt service payments over the next 13 years by approximately \$1,098,000 and to obtain an economic gain on the transaction of approximately \$909,000.
- The District maintained its Moody's rating of Aa1 due to the District's well managed financial operations, marked by healthy reserve levels and a relatively low debt burden.
- On the District-Wide Financial Statements, revenues increased 1.76% primarily as a result of increased property taxes and state sources.
- On the District-Wide Financial Statements, expenses increased by 5.70% primarily as a result of an increase in general fund general support and instruction expenses as well as special aid fund instruction expenses.
- On May 17, 2016, the proposed 2016-2017 budget in the amount of \$159,004,073 was authorized by the District's residents. The budget passed by 81.20% of the voters.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

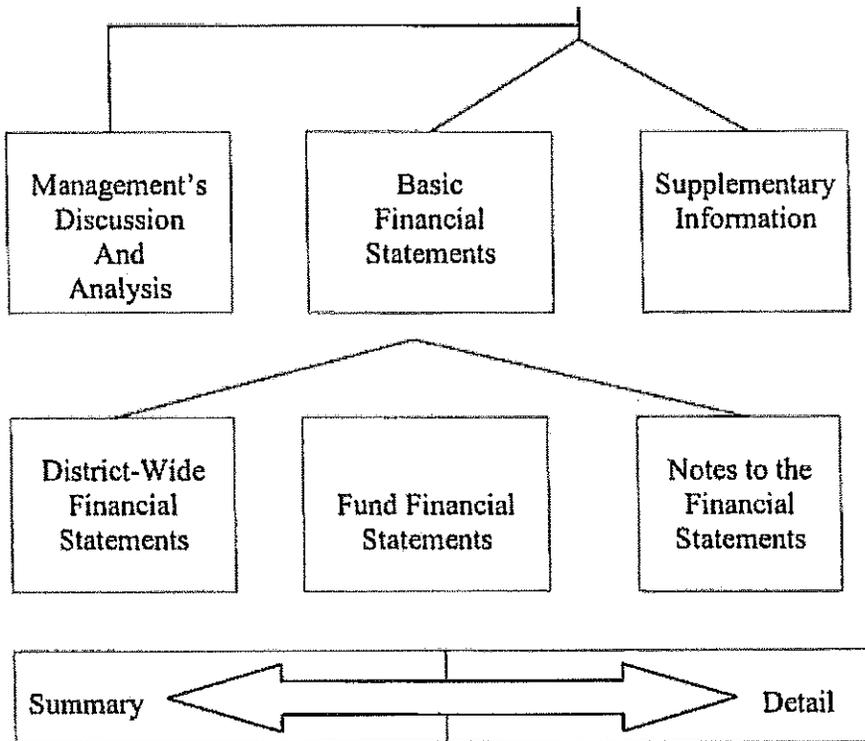
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

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

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



**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, special education and building maintenance	Instances in which the District administers resources on behalf of others, such as scholarships, student monies and employee benefits
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 and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	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 and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

A) District-Wide Financial Statements:

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

The two District-Wide Financial Statements report the District's net position and how it have changed. Net position, the difference between the 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 and decreases in the District's net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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 aid finance most of these activities.

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Allocate net position balances as follows:
 - *Net investment in capital assets;*
 - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
 - *Unrestricted net position (deficit)* includes net amounts that do not meet any of the above restrictions.

B) Fund Financial Statements:

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

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's total net position increased by \$3,482,160 in the fiscal year ended June 30, 2016, as detailed in Table A-3.

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

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$ 50,988,547	\$ 54,624,036	\$ (3,635,489)	(6.66%)
Capital assets, net of accumulated depreciation	56,701,883	57,325,508	(623,625)	(1.09%)
Net pension asset-proportionate share	39,462,897	41,105,753	(1,642,856)	(4.00%)
Total Assets	147,153,327	153,055,297	(5,901,970)	(3.86%)
Deferred outflows of resources	17,318,928	12,292,873	5,026,055	40.89%
Total Assets and Deferred Outflows of Resources	<u>\$ 164,472,255</u>	<u>\$ 165,348,170</u>	<u>\$ (875,915)</u>	(0.53%)
Current and other liabilities	\$ 11,860,412	\$ 13,873,541	\$ (2,013,129)	(14.51%)
Long-term liabilities	138,564,353	128,317,438	10,246,915	7.99%
Total Liabilities	150,424,765	142,190,979	8,233,786	5.79%
Deferred inflows of resources	16,139,898	28,731,759	(12,591,861)	(43.83%)
Total Liabilities and Deferred Inflows of Resources	166,564,663	170,922,738	(4,358,075)	(2.55%)
Net investment in capital assets	10,875,224	8,193,633	2,681,591	32.73%
Restricted	20,532,118	21,465,333	(933,215)	(4.35%)
Unrestricted (deficit)	(33,499,750)	(35,233,534)	1,733,784	(4.92%)
Total Net Position (deficit)	(2,092,408)	(5,574,568)	3,482,160	(62.47%)
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 164,472,255</u>	<u>\$ 165,348,170</u>	<u>\$ (875,915)</u>	(0.53%)

Current assets and other assets decreased by \$3,635,489 from 2015 to 2016 primarily due to a decrease in cash, due from state and federal and due from other governments offset by an increase in accounts receivable, due from fiduciary funds and inventories.

Capital assets, net of accumulated depreciation decreased by \$623,625 primarily due to depreciation on capital assets exceeding capital assets additions.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The proportionate share of net pension asset for the Teachers' Retirement System ("TRS") decreased by \$1,642,856 due to fluctuations in the actuarially determined value. This represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2015, the measurement date.

Deferred outflows of resources increased by \$5,026,055. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$2,013,129. This was attributable to decreases in due to teachers' retirement system, due to employees' retirement system and due to other governments offset by increases in accrued liabilities and compensated absences payable.

Long-term liabilities increased by \$10,246,915 due to the increase in the net Other Post-Employment Benefits ("OPEB") Obligation of approximately \$9.1 million, claims payable and proportionate share of net pension liability for the Employees' Retirement System ("ERS") offset by a decrease in debt.

Deferred inflows of resources decreased by \$12,591,861 primarily due to a decrease in deferred inflows for TRS which are actuarial adjustments at the plan level, that will be amortized in future years, offset by an increase in gain in defeasance due to the bond refunding on August 20, 2015.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$2,681,591 primarily due to capital additions offset by depreciation and related debt.

Restricted net position decreased by \$933,215 primarily due to the Board authorized usage of the workers' compensation reserve. Net deficit decreased by \$3,482,160.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2016 and 2015 are as follows:

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,965,041	\$ 3,310,887	\$ (345,846)	(10.45%)
Operating Grants	6,630,046	7,411,304	(781,258)	(10.54%)
General Revenues				
Property Taxes and other tax items	110,512,262	108,655,193	1,857,069	1.71%
State Sources	31,386,968	30,125,305	1,261,663	4.19%
Use of money and property	1,520,951	1,471,021	49,930	3.39%
Other	4,195,475	3,523,580	671,895	19.07%
Total Revenues	157,210,743	154,497,290	2,713,453	1.76%
Expenses				
General Support	16,682,020	16,572,946	109,074	0.66%
Instruction	122,793,376	114,886,676	7,906,700	6.88%
Pupil Transportation	9,801,629	9,423,694	377,935	4.01%
Food Service Program	2,507,164	2,430,117	77,047	3.17%
Community Services	15,337	15,114	223	1.48%
Debt Service - interest	1,929,057	2,106,109	(177,052)	(8.41%)
Total Expenses	153,728,583	145,434,656	8,293,927	5.70%
Increase/(Decrease) in Net Position	\$ 3,482,160	\$ 9,062,634	\$ (5,580,474)	(61.58%)

The District's fiscal year 2016 revenues totaled \$157,210,743 (See Table A-4). Property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 70.30% and 19.96%, respectively of total revenue (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property and other miscellaneous sources.

The District's revenues increased \$2,713,453 or 1.76%. Property taxes and other tax items increased \$1,857,069, which was within the 2% tax cap legislation. State aid increased \$1,261,663 primarily as a result of an increase in General Aid of approximately \$1,531,000.

The total cost of all programs and services totaled \$153,728,583 for fiscal year 2016. These expenses are predominantly related to instruction and caring for (pupil services) and transporting students, which account for 86.26% of District expenses (See Table A-6). The District's general support activities accounted for 10.85% of total costs.

The District's expenses for the year increased \$8,293,927 or 5.70%, which is primarily attributable to an increase in Instruction expenses of \$7,906,700 or 6.88%.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4)

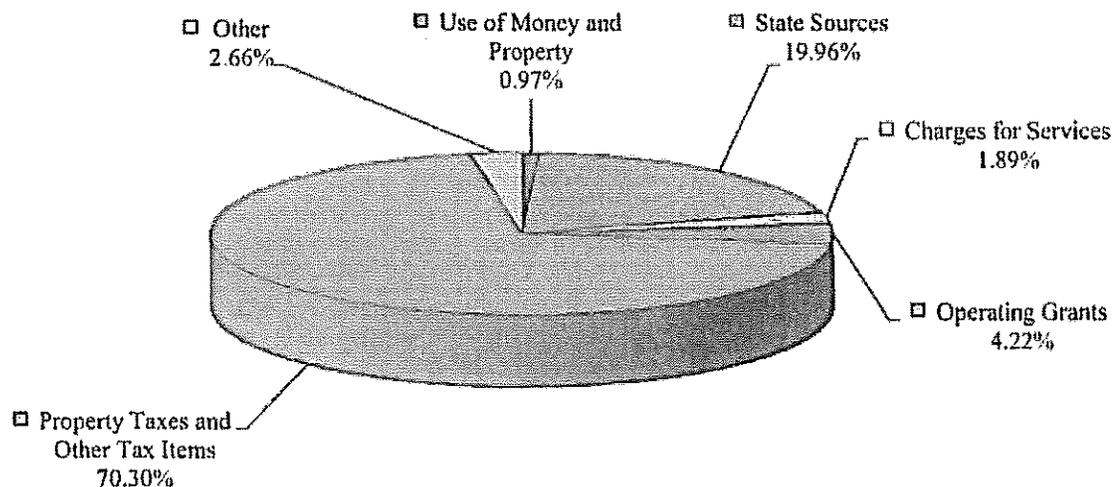
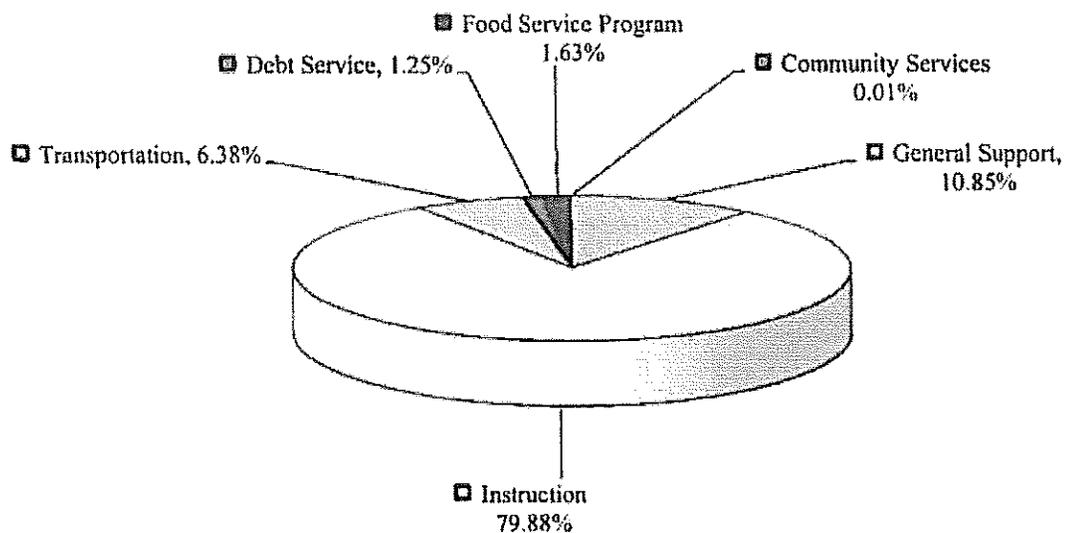


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

C) Governmental Activities:

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

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

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
General Support	\$ 16,682,020	\$ 16,572,946	\$ 16,682,020	\$ 16,572,946
Instruction	122,793,376	114,886,676	115,927,008	106,573,130
Pupil Transportation	9,801,629	9,423,694	9,548,383	9,423,694
Food Service Program	2,507,164	2,430,117	31,691	21,472
Community Services	15,337	15,114	15,337	15,114
Debt Service - interest	1,929,057	2,106,109	1,929,057	2,106,109
Total	<u>\$ 153,728,583</u>	<u>\$ 145,434,656</u>	<u>\$ 144,133,496</u>	<u>\$ 134,712,465</u>

- The cost of all governmental activities this year was \$153,728,583. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$2,965,041 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$6,630,046. (Statement of Activities, Operating Grants column-see Exhibit 3)
- Most of the District's net costs of \$144,133,496 were financed by District taxpayers and state sources. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the Governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the 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, 2016, the District's combined governmental funds reported a total fund balance of \$35,441,920 which is a decrease of \$1,035,485 from the prior year. This decrease is primarily due to a decrease in the fund balance in the general fund of \$291,810 and capital projects fund of \$774,504, offset by an increase in the school lunch fund balance of \$30,829.

A summary of the change in fund balance for all funds is as follows:

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	\$ 3,208,988	\$ 3,703,130	\$ (494,142)	(13.34%)
Restricted for unemployment insurance	327,803	327,204	599	0.18%
Restricted for retirement contribution	8,390,130	8,989,219	(599,089)	(6.66%)
Restricted for insurance	666,318	665,102	1,216	0.18%
Restricted for employee benefit accrued liability	7,938,879	7,780,678	158,201	2.03%
Assigned - appropriated for:				
Subsequent year's expenditures	4,900,000	4,318,303	581,697	13.47%
Assigned - unappropriated for:				
Other post employment benefits	2,433,034	3,033,034	(600,000)	(19.78%)
General support	595,397	72,809	522,588	717.75%
Instruction	32,369	12,924	19,445	150.46%
Debt service	10	-	10	N/A
Unassigned-reserve tax reduction	161,488	161,193	295	0.18%
Unassigned-other	6,360,164	6,242,794	117,370	1.88%
Total Fund Balance - General Fund	35,014,580	35,306,390	(291,810)	(0.83%)
School Lunch Fund				
Nonspendable - inventory	111,457	94,997	16,460	17.33%
Assigned	315,883	301,514	14,369	4.77%
Total Fund Balance - School Lunch Fund	427,340	396,511	30,829	7.78%
Capital Projects Fund				
Restricted	-	774,504	(774,504)	(100.00%)
Total Fund Balance - all funds	\$ 35,441,920	\$ 36,477,405	\$ (1,035,485)	(2.84%)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District can attribute changes to fund balances and reserves primarily due to Board approved transfers in, transfers out to pay expenses, and allocation of interest and earnings.

A) General Fund

The general fund – fund balance decreased by \$291,810 during the year as compared to an increase of \$1,905,690 in the prior year. Actual operating revenues increased by \$3,727,451, mainly due to an increase in property tax and state aid of \$1,857,069 and \$1,261,663, respectively. Actual operating expenditures increased \$5,848,173, mainly due to an increase in instruction expenses of \$5,376,460. Consistent with prior year, the general fund transferred \$300,000 to the special aid fund and received an interfund transfer of \$84,415 from the capital projects fund for unspent bond proceeds, which was used to offset debt service costs.

B) School Lunch Fund

The school lunch fund – fund balance increased by \$30,829. This increase was primarily due to an operating surplus in the school lunch operations. In the prior year the school lunch fund had an operating surplus of \$38,364.

C) Capital Projects Fund

The capital projects fund – fund balance decreased by \$774,504. This decrease is primarily due to expenditures in excess of revenues. The capital project fund transferred \$84,415 of unspent bond proceeds to the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2015-2016 Budget:

The District's general fund original budget for the year ended June 30, 2016 was \$156,069,907. This amount was increased by encumbrances carried forward from the prior year in the amount of \$85,733, which resulted in a final budget of \$156,155,640. The majority of the funding was property taxes, STAR revenue and state aid of \$142,371,692.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

Opening, Unassigned Fund Balance	\$ 6,403,987
Revenues Under Budget	(221,507)
Expenditures and Encumbrances Under Budget	4,705,957
Allocation of interest to reserves	(38,344)
Funding of reserves	(528,441)
Use of reserves	500,000
Change in assigned fund balance-OPEB	600,000
Assigned, Appropriated for June 30, 2017	(4,900,000)
Closing, Unassigned Fund Balance	<u>\$ 6,521,652</u>

Opening, Unassigned Fund Balance

The \$6,403,987 shown in the table above is the portion of the District's June 30, 2015 fund balance that was retained as unassigned and not restricted or assigned for subsequent year's taxes, as well as the reserve for tax reduction which is classified as unassigned per GASB Statement No. 54.

Revenues Under budget

The revenues under budget of \$221,507 were primarily attributable to charges for services and state sources offset by miscellaneous, federal sources and interfund revenues. (See Supplemental Schedule 1 for details).

Expenditures and Encumbrances Under Budget

The expenditures and encumbrances under budget of \$4,705,957 were primarily in central services, pupil transportation, and employee benefits. (See Supplemental Schedule 1 for details).

Allocation of interest to reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The reserves earned interest as follows:

Worker's compensation	\$ 5,858
Unemployment insurance	599
Retirement contribution	16,441
Insurance	1,216
Employee benefit accrued liability	<u>14,230</u>
Total interest allocation	<u>\$ 38,344</u>

Funding of reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfers.

The funding of reserves consisted of \$384,470 to the retirement contribution reserve and \$143,971 to the employee benefit reserve. Pursuant to resolutions set by the Board of Education, these funds are set aside by the District to cover future expenditures.

Use of reserves

Use of reserves consisted of \$500,000 of the workers' compensation reserve which was used during the 2015-16 school year. In addition, the District appropriated in the 2015-2016 budget and used \$1,000,000 of the retirement contribution reserve in the 2015-2016 school year.

Change in assigned fund balance – OPEB

The decrease of \$600,000 in assigned fund balance represents a reduction of the assigned fund balance for OPEB for the year ending June 30, 2016.

Appropriated Fund Balance

The District has chosen to use \$4,900,000 of available fund balance to partially fund the approved budget for the year ending June 30, 2017.

Closing, Unassigned Fund Balance

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes, as well as the reserve for tax reduction which is classified as unassigned per GASB Statement No. 54.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during the fiscal year 2016. A summary of the District's capital assets net of depreciation are as follows:

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

Category	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Percentage Change
Land & Land Improvements	\$ 2,803,451	\$ 2,803,451	\$ -	0.00%
Buildings & Building Improvements	105,308,729	103,859,601	1,449,128	1.40%
Vehicles	5,754,631	5,754,631	-	0.00%
Furniture & Equipment	6,067,395	5,908,297	159,098	2.69%
Subtotal	119,934,206	118,325,980	1,608,226	1.36%
Less: Accumulated Depreciation	63,232,323	61,000,472	2,231,851	3.66%
Total Net Capital Assets	<u>\$ 56,701,883</u>	<u>\$ 57,325,508</u>	<u>\$ (623,625)</u>	(1.09%)

The District spent \$772,818 from the capital projects fund, \$928,797 from the general fund on building improvements and equipment purchases and \$29,611 in the school lunch fund on equipment purchases during the year. These were offset by a disposal of equipment of \$123,000. For the year end June 30, 2016, the District completed all of its existing capital projects.

B) Debt Administration:

At June 30, 2016, the District had total bonds payable of \$39,005,000, energy performance contract payable of \$9,055,794 and installment purchase debt of \$207,419. The District issued installment purchase debt of \$82,729 and advance refunded \$10,530,000 in serial bonds. Principal payments were made in the amount of \$4,045,000 for serial bonds, \$580,597 for energy performance contract and \$201,616 for installment purchase debt. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

	2016	2015	Increase/ (Decrease)
Serial bonds	\$ 39,005,000	\$ 43,795,000	\$ (4,790,000)
Energy performance contracts	9,055,794	9,636,391	(580,597)
Installment purchase debt	207,419	326,306	(118,887)
Total	<u>\$ 48,268,213</u>	<u>\$ 53,757,697</u>	<u>\$ (5,489,484)</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The general fund budget for the 2016-2017 school year in the amount of \$159,004,073 was approved by 81.2% of the voters. This is an increase of \$2,934,166 or 1.88% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- B) The tax certiorari proceeding initiated by the Long Island Power Authority to challenge its property tax assessment has not been settled. The result of such a challenge can have a considerable effect on the District's residential property taxes and future school district budgets. Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds can also impact the District's future budgets.
- C) New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The District's 2016-17 property tax increase fell within the tax cap and did not require an override vote.
- D) New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below 500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ends for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayers' income.

These property tax credit programs provide an incentive for the District to be tax cap compliant.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

South Huntington Union Free School District
Dr. Joseph Centamore
Assistant Superintendent for Business & District Operations
60 Weston Street
Huntington Station, New York 11746
(631) 812-3001

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

ASSETS	
Current assets	
Cash	
Unrestricted	\$ 20,022,514
Restricted	20,532,118
Receivables	
Accounts receivable	366,480
State and federal aid	3,798,302
Due from other governments	5,479,803
Due from fiduciary funds	677,873
Inventories	111,457
Non-current assets	
Capital assets, net	
Capital assets, not being depreciated	592,253
Capital assets being depreciated, net of accumulated depreciation	56,109,630
Net pension asset-proportionate share	39,462,897
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>17,318,928</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 164,472,255</u>
LIABILITIES	
Payables	
Accounts payable	\$ 890,460
Accrued liabilities	541,185
Due to teachers' retirement system	8,325,004
Due to employees' retirement system	937,374
Compensated absences payable	381,084
Due to other governments	225,731
Accrued interest payable	544,621
Unearned credits	
Collections in advance	14,953
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,995,000
Energy performance contract payable	624,404
Installment purchase debt payable	112,821
Claims payable	407,564
Compensated absences payable	327,522
Due and payable after one year	
Bonds payable	35,010,000
Energy performance contract payable	8,431,390
Installment purchase debt payable	94,598
Claims payable	2,358,411
Compensated absences payable	9,397,800
Net pension liability-proportionate share	7,865,141
Net other post employment benefits obligation	<u>69,939,702</u>
TOTAL LIABILITIES	<u>150,424,765</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	14,841,452
Gain on defeasance	<u>1,298,446</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,139,898</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>166,564,664</u>
NET POSITION	
Net investment in capital assets	<u>10,875,224</u>
Restricted	
Employee benefit accrued liability	7,938,879
Retirement contributions	8,390,130
Unemployment insurance	327,803
Workers' compensation	3,208,988
Insurance	<u>666,318</u>
	<u>20,532,118</u>
Unrestricted (deficit)	<u>(33,499,751)</u>
TOTAL NET POSITION (DEFICIT)	<u>(2,092,409)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 164,472,255</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	\$ (16,682,020)	\$ -	\$ -	\$ (16,682,020)
Instruction	(122,793,376)	2,218,897	4,647,471	(115,927,008)
Pupil transportation	(9,801,629)	-	253,246	(9,548,383)
Food service program	(2,507,164)	746,144	1,729,329	(31,691)
Community service	(15,337)	-	-	(15,337)
Debt service - interest	(1,929,057)	-	-	(1,929,057)
TOTAL FUNCTIONS AND PROGRAMS	\$ (153,728,583)	\$ 2,965,041	\$ 6,630,046	(\$144,133,496)
GENERAL REVENUES				
Real property taxes				97,288,411
Other tax items - including STAR reimbursement				13,223,851
Use of money & property				1,520,951
Sale of property & compensation for loss				10,220
Miscellaneous				3,881,595
State sources				31,386,968
Medicaid reimbursement				303,660
TOTAL GENERAL REVENUES				147,615,656
CHANGE IN NET POSITION				3,482,160
TOTAL NET POSITION - BEGINNING OF YEAR				(5,574,568)
TOTAL NET POSITION - END OF YEAR				\$ (2,092,408)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 19,016,853	\$ 335,426	\$ 209,003	\$ 461,232	\$ 20,022,514
Restricted	20,532,118	-	-	-	20,532,118
Receivables					
Accounts receivable	63,373	301,633	1,474	-	366,480
Due from state and federal aid	1,434,697	2,254,330	109,275	-	3,798,302
Due from other governments	1,739,803	-	-	-	1,739,803
Due from other funds	3,782,579	-	-	-	3,782,579
Inventories	-	-	111,457	-	111,457
TOTAL ASSETS	<u>\$ 46,569,423</u>	<u>\$ 2,891,389</u>	<u>\$ 431,209</u>	<u>\$ 461,232</u>	<u>\$ 50,353,253</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Payables					
Accounts payable	\$ 671,730	\$ 194,668	\$ -	\$ 24,062	\$ 890,460
Accrued liabilities	519,715	18,897	2,573	-	541,185
Due to other governments	224,429	951	351	-	225,731
Due to other funds	-	2,667,536	-	437,170	3,104,706
Due to teachers' retirement system	8,325,004	-	-	-	8,325,004
Due to employees' retirement system	937,374	-	-	-	937,374
Compensated absences	381,084	-	-	-	381,084
Unearned credits					
Collections in advance	4,671	9,337	945	-	14,953
DEFERRED INFLOWS OF RESOURCES					
General and Excess cost aid	490,836	-	-	-	490,836
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>11,554,843</u>	<u>2,891,389</u>	<u>3,869</u>	<u>461,232</u>	<u>14,911,333</u>
FUND BALANCES					
Non-spendable: Inventory	-	-	111,457	-	111,457
Restricted					
Employee benefit accrued liability	7,938,879	-	-	-	7,938,879
Retirement contribution	8,390,130	-	-	-	8,390,130
Unemployment	327,803	-	-	-	327,803
Workers' compensation	3,208,988	-	-	-	3,208,988
Insurance	666,318	-	-	-	666,318
Assigned:					
Appropriated fund balance	4,900,000	-	-	-	4,900,000
Unappropriated fund balance	3,060,810	-	315,883	-	3,376,693
Unassigned:					
Reserve for tax reduction	161,488	-	-	-	161,488
Other	6,360,164	-	-	-	6,360,164
TOTAL FUND BALANCES	<u>35,014,580</u>	<u>-</u>	<u>427,340</u>	<u>-</u>	<u>35,441,920</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,569,423</u>	<u>\$ 2,891,389</u>	<u>\$ 431,209</u>	<u>\$ 461,232</u>	<u>\$ 50,353,253</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Governmental Fund Balances \$ 35,441,919

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 119,934,206	
Accumulated depreciation	<u>(63,232,323)</u>	56,701,883

Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

Gain on defeasance	(1,298,446)
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Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual.	490,836
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Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to:	(14,841,452)
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Payables that are associated with long-term liabilities are not payable in the current period and, therefore, are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of: Accrued interest on bonds, installment debt and energy performance debt.	(544,621)
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Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to	17,318,928
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Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share for TRS was	39,462,897
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Due from other governments for bonds payable being paid by the Library is not included on the fund balance sheet.	3,740,000
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	\$ (39,005,000)	
Energy performance contract payable	(9,055,794)	
Installment purchase debt payable	(207,419)	
Claims payable	(2,765,975)	
Compensated absences payable	(9,725,322)	
Net other post employment benefits obligation	(69,939,702)	
Net pension liability - proportionate share (ERS)	<u>(7,865,141)</u>	(138,564,353)

Total Net Position

\$ (2,092,409)

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30 2016

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$ 97,288,411	\$ -	\$ -	\$ -	\$ -	\$ 97,288,411
Other tax items - including STAR reimbursement	13,223,851	-	-	-	-	13,223,851
Charges for services	2,218,897	-	-	-	-	2,218,897
Use of money and property	1,520,951	-	-	-	-	1,520,951
Sale of property and compensation for loss	10,220	-	-	-	-	10,220
Miscellaneous	1,650,021	-	23,871	-	-	1,673,892
Interfund revenue	2,842,703	-	-	-	-	2,842,703
Local sources	-	247,532	36,174	-	-	283,706
State sources	31,386,968	2,455,461	49,784	-	-	33,892,213
Federal sources	303,660	2,197,724	1,507,933	-	-	4,009,317
Surplus food sales	-	-	171,612	-	-	171,612
	-	-	709,970	-	-	709,970
TOTAL REVENUES	<u>150,445,682</u>	<u>4,900,717</u>	<u>2,499,344</u>	<u>-</u>	<u>-</u>	<u>157,845,743</u>
EXPENDITURES						
General support	13,784,670	-	-	-	-	13,784,670
Instruction	85,827,171	4,884,160	-	-	-	90,711,331
Pupil transportation	8,281,923	316,557	-	-	-	8,598,480
Community service	15,101	-	-	-	-	15,101
Employee benefits	35,838,411	-	-	-	-	35,838,411
Debt service - Principal	4,827,213	-	-	-	-	4,827,213
Debt service - Interest	1,947,418	-	-	-	-	1,947,418
Cost of sales	-	-	983,920	-	-	983,920
Other expenditures	-	-	1,484,595	-	-	1,484,595
Capital outlay	-	-	-	772,818	-	772,818
TOTAL EXPENDITURES	<u>150,521,907</u>	<u>5,200,717</u>	<u>2,468,515</u>	<u>772,818</u>	<u>-</u>	<u>158,963,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(76,225)</u>	<u>(300,000)</u>	<u>30,829</u>	<u>(772,818)</u>	<u>-</u>	<u>(1,118,214)</u>
OTHER FINANCING SOURCES AND (USES)						
Bond premium	-	-	-	-	1,591,686	1,591,686
Payment to refunded bond escrow agent	-	-	-	-	(11,985,328)	(11,985,328)
Refunded bonds issued	-	-	-	-	10,530,000	10,530,000
Bond issuance costs	-	-	-	-	(136,358)	(136,358)
Proceeds from installment purchase debt	-	-	-	82,729	-	82,729
Operating transfers in	84,415	300,000	-	-	-	384,415
Operating transfers (out)	(300,000)	-	-	(84,415)	-	(384,415)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(215,385)</u>	<u>300,000</u>	<u>-</u>	<u>(1,686)</u>	<u>-</u>	<u>82,729</u>
NET CHANGE IN FUND BALANCES	<u>(291,810)</u>	<u>-</u>	<u>30,829</u>	<u>(774,504)</u>	<u>-</u>	<u>(1,035,485)</u>
FUND BALANCES - BEGINNING	<u>35,306,390</u>	<u>-</u>	<u>196,511</u>	<u>774,504</u>	<u>-</u>	<u>36,477,405</u>
FUND BALANCES - END OF YEAR	<u>\$ 35,014,580</u>	<u>\$ -</u>	<u>\$ 427,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,441,920</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

Net Change in Fund Balance		\$ (1,035,485)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2016 changed by:	51,508	
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2015 to June 30, 2016 changed by:	(448,620)	
Net other post employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post employment benefits obligation from June 30, 2015 to June 30, 2016 changed by:	(9,105,870)	
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	\$ 1,731,226	
Depreciation expense	<u>(2,354,851)</u>	(623,625)
Long-Term Debt Transactions		
Proceeds from the issuance of installment purchase debt is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(82,729)	
Governmental funds may report the premium, discounts, and similar items on refunded bonds as expenditures. These amounts are deferred and amortized in the Statement of Activities.	(29,764)	
Repayment of a bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities	4,045,000	
Repayment of an energy performance contract payable is an expenditure in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	580,597	
Repayment of an installment purchase debt payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities	201,616	
Interest on long-term debt in the Statement of Activities differs from from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2015 to June 30, 2016 changed by:	48,125	
Due from other governments for bonds payable being paid by the Library is not included on the governmental funds balance sheet.	(635,000)	
Pension Differences		
Increases/decreases in proportionate share of net pension asset/liability and related deferred inflows and outflows 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		
Employees' retirement system	\$ (147,042)	
Teachers' retirement system	<u>10,663,449</u>	<u>10,516,407</u>
Change in Net Position		<u>\$ 3,482,160</u>

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash-restricted	\$ 166,600	\$ 1,238,213
TOTAL ASSETS	<u>\$ 166,600</u>	<u>\$ 1,238,213</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ 677,873
Extraclassroom activity balance	-	277,563
Other liabilities	-	282,777
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 1,238,213</u>
NET POSITION		
Restricted for scholarships	\$ 166,600	
TOTAL NET POSITION	<u>\$ 166,600</u>	

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$ 24,924
Interest and earnings	162
TOTAL ADDITIONS	<u>25,086</u>
 DEDUCTIONS	
Scholarships and awards	<u>32,944</u>
TOTAL DEDUCTIONS	<u>32,944</u>
 CHANGE IN NET POSITION	 (7,858)
 NET POSITION - BEGINNING OF YEAR	 <u>174,458</u>
 NET POSITION - END OF YEAR	 <u>\$ 166,600</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

Significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the “Board”) consisting of 7 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 Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

B) 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, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

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

ii) Fund Financial Statements

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District reports the following major governmental funds:

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

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

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

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

The District reports the following fiduciary funds:

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

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

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

D) Measurement focus and basis of accounting:

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. Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 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, compensated absences, pension costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

i) Calendar

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

ii) Enforcement

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund 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.

H) Estimates:

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

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, and demand deposits.

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net 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. The District has no prepaid items as of June 30, 2016.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

L) Capital assets:

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$ 1,500	Straight-line	50 years
Furniture & Equipment	\$ 1,500	Straight-line	5-20 years
Land Improvements	\$ 1,500	Straight-line	15-20 years
Vehicles	\$ 1,500	Straight-line	8 years

M) Collections in advance:

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

Collections in advance consist of amounts received in advance for the summer program in the general fund, amounts received in advance for grants in the special aid fund and for meals that have not yet been purchased in the school lunch fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 District has five items that qualify for reporting in this category. They are related to pensions reported in the District-Wide Statement of Net Position. They represent the difference between expected and actual experience (ERS), changes in assumptions (ERS), the net difference between projected and actual investments earnings on pension plan investments (ERS), changes in proportion and differences between the District's contributions and proportionate share of contributions (TRS and ERS), and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

qualify for reporting in this category. One is a deferred gain on refunding which resulted from a difference in carrying value of the 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 remaining items are related to pensions reported in the District-Wide Statement of Net Position. They represent the difference between expected and actual experience (TRS and ERS), the projected and actual earnings on pension plan investment (TRS), and the changes in proportion and differences between the District's contributions and proportionate share of contributions (TRS).

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. The District-Wide Financial Statements, however, report these deferred inflows as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) 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. Certain collectively bargained agreements may require these termination payments to be paid in the form of non-elective contributions into the employees' 403(b) plan.

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

P) Other benefits:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q) Short-term debt:

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The District issued and redeemed a \$15,000,000 TAN in the fiscal year ended June 30, 2016 (See Note 12 for further details).

R) Accrued liabilities and long-term obligations:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

S) Equity Classifications:

i) District-Wide Financial Statements

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

Net investment in capital assets, consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets (net of unspent proceeds), including the deferred inflows of resources, the gain on defeasance on the bond refunding.

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

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

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, the District only has four classifications of fund balance presented in the fund financial statements as follows:

- 1) **Non-spendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$111,457.
- 2) **Restricted fund balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following reserves as restricted:

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund as restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML§6-m), is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may 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 tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other restricted fund balance. This reserve is accounted for in the general fund as restricted fund balance.

Workers' Compensation Reserve

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

Insurance Reserve

Insurance reserve (GML §6-n), is 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. This reserve is accounted for in the general fund as restricted fund balance.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scholarships

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

- 3) **Committed fund balance** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, (i.e., the Board of Education). The District has no committed fund balances as of June 30, 2016.
- 4) **Assigned fund balance**- Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment 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 includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designation for other post-employment benefits (OPEB) and encumbrances not classified as restricted or committed at the end of the fiscal year.
- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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 District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in the assigned fund balance are also excluded from the 4% limitation. For the District's plan to address the balance retained over 4% see Note 19B.

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 restricted 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.

T) Future Changes in Accounting Standards

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB*

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending June 30, 2017. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND 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 Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences, workers' compensation, pension costs and other post-employment benefits.

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Information – Schedule of Change from the Adopted Budget. There were no supplemental appropriations that occurred during the fiscal year.

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by the legal requirements. These assets represent amounts required by statute to be reserved for various

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

purposes. Restricted cash at June 30, 2016 included \$20,532,118 within the governmental funds for general reserve purposes and \$1,404,813 in the fiduciary funds.

B) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2016, the District was billed \$9,628,559 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,711,578. Financial statements for the Western Suffolk BOCES are available from the Western Suffolk BOCES administrative office at 507 Deer Park Road, Dix Hills, New York 11746.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

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

General fund	
Excess cost aid	\$ 1,331,620
General aid	<u>103,077</u>
Total general fund	<u>1,434,697</u>
Special aid fund	
Federal aid	630,958
State aid	<u>1,623,372</u>
Total special aid fund	<u>2,254,330</u>
School lunch fund	
State and federal food service program reimbursement	<u>109,275</u>
Total - All Funds	<u>\$ 3,798,302</u>

District management has deemed these receivables as fully collectible.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2016 consisted of the following:

General fund	
Tuition and health service billings	\$ 965,976
BOCES aid	<u>773,827</u>
Total general fund	<u>1,739,803</u>
Governmental activities	
Library bonds	<u>3,740,000</u>
Total - District-Wide	<u>\$ 5,479,803</u>

District management has deemed these receivables as fully collectible.

NOTE 8 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2016 consisted of the following:

General fund	
General aid overpayment	\$ 12,632
Tuition and health services	<u>211,797</u>
Total general fund	<u>224,429</u>
Special aid fund	
Grant overpayment	<u>951</u>
School lunch fund	
Sales tax payable	<u>351</u>
Total - All Funds	<u>\$ 225,731</u>

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2016 consisted of the following:

General fund	
Summer program	\$ 4,671
Special aid fund	
Grant funds received in advance	9,337
School lunch fund	
Student prepaid meals	<u>945</u>
Total - All Funds	<u>\$ 14,953</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 592,253	\$ -	\$ -	\$ 592,253
Total capital assets not depreciated	<u>592,253</u>	<u>-</u>	<u>-</u>	<u>592,253</u>
Capital assets that are depreciated:				
Building & building improvements	103,859,601	1,449,128	-	105,308,729
Furniture and equipment	5,908,297	282,098	(123,000)	6,313,395
Land improvement	2,211,198	-	-	2,211,198
Vehicles	5,754,631	-	-	5,754,631
Total depreciable historical cost	<u>117,733,727</u>	<u>1,731,226</u>	<u>(123,000)</u>	<u>119,587,953</u>
Less accumulated depreciation:				
Building & building improvements	50,141,201	1,646,052		51,787,253
Furniture and equipment	4,097,329	487,543	(123,000)	4,707,872
Land improvement	1,524,095	99,556		1,623,651
Vehicles	5,237,847	121,700		5,359,547
Total accumulated depreciation	<u>61,000,472</u>	<u>2,354,851</u>	<u>(123,000)</u>	<u>63,478,323</u>
Total capital assets being depreciated, net	<u>56,733,255</u>	<u>(623,625)</u>	<u>-</u>	<u>56,109,630</u>
Total capital assets, net	<u>\$ 57,325,508</u>	<u>\$(623,625)</u>	<u>\$ -</u>	<u>\$ 56,701,883</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 269,485
Instruction	1,895,383
Transportation	151,098
Community services	236
School lunch service	38,649
Total	<u>\$ 2,354,851</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 3,782,579	\$ -	\$ 84,415	\$ 300,000
Special aid fund	-	2,667,536	300,000	-
Capital projects fund	-	437,170	-	84,415
Total government activities	3,782,579	3,104,706	384,415	384,415
Fiduciary agency fund	-	677,873	-	-
Total	<u>\$ 3,782,579</u>	<u>\$ 3,782,579</u>	<u>\$ 384,415</u>	<u>\$ 384,415</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools.

The District made a one-time transfer from the capital projects fund to the general fund of \$84,415. These funds were the remaining balance of unspent bond proceeds. These funds will be used for debt service repayments.

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

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

NOTE 12 - SHORT-TERM DEBT:

On October 20, 2015, the District issued tax anticipation notes in the amount of \$15,000,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
TAN maturing 6/28/16 at 1.50%	\$ -	\$ 15,000,000	\$ 15,000,000	\$ -
Total	<u>\$ -</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>

Interest on short-term debt was \$155,000.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:					
General obligation debt:					
Construction serial bonds	\$ 31,390,000		\$ 13,930,000	\$ 17,460,000	\$ 1,945,000
Advance refunding bonds	8,030,000	\$ 10,530,000	755,000	17,805,000	1,420,000
Library serial/refunding bond	4,375,000		635,000	3,740,000	630,000
Total bonds & notes payable	43,795,000	10,530,000	15,320,000	39,005,000	3,995,000
Other liabilities:					
Energy performance debt payable	9,636,391		580,597	9,055,794	624,404
Installment purchase debt payable	326,306	82,729	201,616	207,419	112,821
Claims payable	2,317,355	1,501,696	1,053,076	2,765,975	407,564
Compensated absences payable	9,776,830	329,576	381,084	9,725,322	327,522
Net pension liability-proportionate share	1,631,724	9,501,044	3,267,627	7,865,141	-
Net other post employment benefits obligation	60,833,832	13,807,543	4,701,673	69,939,702	-
Total other liabilities	84,522,438	25,222,588	10,185,673	99,559,353	1,472,311
Total long-term liabilities	\$ 128,317,438	\$ 35,752,588	\$ 25,505,673	\$ 138,564,353	\$ 5,467,311

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

A) Bonds payable

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction Serial Bond	12/18/2007	12/15/2027	4.0% - 4.25%	\$ 260,000
Construction Serial Bond	12/22/2008	12/15/2028	5.0% - 5.25%	325,000
Advance Refunding Serial Bond	2/12/2009	9/15/2018	2.0% - 5.0%	1,715,000
Construction Serial Bond	8/4/2009	6/15/2029	3.0% - 4.375%	275,000
Construction Serial Bond	2/2/2010	6/15/2029	3.0% - 4.0%	3,900,000
Construction Serial Bond	9/22/2010	6/15/2029	2.25% - 3.375%	3,500,000
Advance Refunding Serial Bond	3/2/2012	9/1/2021	2.0% - 5.0%	3,835,000
Construction Serial Bond	9/21/2011	3/15/2030	2.25% - 3.75%	4,000,000
Construction Serial Bond	9/19/2012	6/15/2027	2.00% - 2.375%	4,100,000
Construction Serial Bond	2/15/2013	6/15/2027	2.00% - 2.60%	1,100,000
Advance Refunding Serial Bond	3/20/2013	9/1/2025	2.00% - 4.50%	5,535,000
Advance Refunding Serial Bond	8/20/2015	12/15/2028	2.00% - 5.00%	10,460,000
				\$ 39,005,000

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,995,000	\$ 1,369,525	\$ 5,364,525
2018	3,945,000	1,231,287	5,176,287
2019	3,660,000	1,100,475	4,760,475
2020	3,370,000	981,113	4,351,113
2021	3,405,000	863,194	4,268,194
2022-2026	14,745,000	2,541,943	17,286,943
2027-2030	5,885,000	351,662	6,236,662
	<u>\$ 39,005,000</u>	<u>\$ 8,439,199</u>	<u>\$ 47,444,199</u>

In prior years, the District defeased certain construction serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

On August 20, 2015, the District issued \$10,530,000 in serial bonds with an average interest rate of 2.00 - 5.00% to partially advance refund \$11,275,000 of outstanding serial bonds with an average interest rate of 3.00% - 5.25% respectively. The net proceeds of \$11,985,328 (including a premium of \$1,591,686 and after payment of \$136,358 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the partially refunded 2006, 2007, 2008 and 2009 serial bonds. As a result, these serial bonds are considered to be defeased and the liability for those bonds have been removed from the government wide Statement of Net Position. The District refunded these serial bonds to reduce its total debt service payments over the next 13 years by almost \$1,098,000 and to obtain an economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) of \$909,062.

B) Energy Performance

Energy performance debt is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Energy performance debt	2/29/2012	7/15/2026	3.87%	<u>\$ 9,055,794</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$ 624,404	\$ 350,459	\$ 974,863
2018	670,547	326,295	996,842
2019	719,135	300,345	1,019,480
2020	767,768	272,514	1,040,282
2021	797,481	242,801	1,040,282
2022-2026	4,474,935	726,478	5,201,413
2027	1,001,524	38,759	1,040,283
	<u>\$ 9,055,794</u>	<u>\$ 2,257,651</u>	<u>\$ 11,313,445</u>

C) Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Outstanding at Year End
Copiers: Xerox	7/1/2011	7/31/2016	\$ 863
Copiers: Xerox	10/1/2011	10/1/2016	469
Copiers: Konica	6/1/2012	5/31/2016	41,022
Copiers: Konica	1/1/2013	12/31/2017	9,016
Copiers: Pitney Bowes	4/1/2013	3/31/2018	11,790
Copiers: Leaf	6/1/2014	5/31/2017	3,960
Copiers: Konica	8/1/2014	7/31/2018	2,362
Copiers: Konica	10/1/2014	9/30/2018	30,458
Copiers: Toshiba	11/1/2014	10/31/2018	5,924
Copiers: Toshiba	11/1/2014	10/31/2018	29,866
Copiers: Konica	1/15/2016	1/15/2020	14,844
Copiers: Konica	9/1/2015	8/31/2019	3,555
Copiers: Konica	8/1/2015	7/30/2019	3,555
Copiers: Konica	8/1/2015	7/30/2019	7,139
Copiers: Kyocera	4/1/2016	3/31/2020	7,060
Copiers: Xerox	2/1/2016	1/30/2016	18,118
Copiers: Xerox	2/1/2016	1/30/2016	5,680
Copiers: Xerox	2/1/2016	1/30/2016	11,738
			<u>\$ 207,419</u>

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following is a summary of debt service requirements for the installment purchase debt:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 112,821	\$ -	\$ 112,821
2018	53,562	-	53,562
2019	31,393	-	31,393
2020	9,643	-	9,643
	<u>\$ 207,419</u>	<u>\$ -</u>	<u>\$ 207,419</u>

C) Long-Term Interest

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

	<u>Total</u>
Interest paid	\$ 1,792,418
Less interest accrued in the prior year	(592,746)
Plus interest accrued in the current year	544,621
Plus bond refunding issuance cost	136,358
Less amortization of gain on defeasance	<u>(106,594)</u>
Total expense	<u>\$ 1,774,057</u>

NOTE 14 – DEFERRED INFLOWS OF RESOURCES-GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2013 and 2015 refunding as recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2016 consisted of the following:

Bond premium	2,205,503
Deferred amounts on refunding	<u>(907,057)</u>
Gain on defeasance	<u>\$ 1,298,446</u>

The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 12 years for the 2013 refunding, and 13 years on the 2015 refunding, the time to maturity of the refunded bonds, at the point of refunding, and is recorded as a reduction in interest expense.

Unissued Debt

On January 29, 2003, the voters approved a bond issue not to exceed \$54,700,000 to purchase various school buses and to construct additions and/or alterations and improvements to various District buildings. As of June 30, 2016, the District borrowed \$50,950,000 of this amount, and \$3,750,000 will not be issued. Work has commenced and expenditures are recorded in the capital projects fund.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 15 – PENSION PLANS:

A) Plan Descriptions and Benefits Provided:

i) Teachers' Retirement System

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

ii) Employees' Retirement System

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

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

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

Year	ERS	TRS
2016	\$ 3,267,627	\$ 10,004,554
2015	\$ 3,407,588	\$ 8,857,708
2014	\$ 3,194,786	\$ 6,758,443

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

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. 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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (7,865,141)	\$ 39,462,897
District's portion of the Plan's total net pension asset/(liability)	0.0490031%	0.3799330%
Change in proportion since the prior measurement date	0.0007022%	0.0109200%

For the year ended June 30, 2016, the District's recognized pension expense of \$3,249,853 for ERS and a reduction in pension expense of \$2,649,433 for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 39,745	\$ -	\$ 932,281	\$ 1,093,685
Changes of assumptions	2,097,396	-	-	-
Net difference between projected and actual earnings on pension plan investments	4,666,033	-	-	12,474,427
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,551,375	13,302	-	341,059
District's contributions subsequent to the measurement date	937,374	8,013,703	-	-
Total	\$ 9,291,923	\$ 8,027,005	\$ 932,281	\$13,909,171

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Plan Year Ended	ERS	TRS
2016	\$ -	\$ (5,071,007)
2017	\$ 1,929,064	\$ (5,071,007)
2018	\$ 1,929,064	\$ (5,071,007)
2019	\$ 1,929,064	\$ 2,034,970
2020	\$ 1,635,076	\$ (175,906)
Thereafter	\$ -	\$ (541,912)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2016	June 30, 2015
Actuarial valuation date	April 1, 2015	June 30, 2014
Interest rate	7.00%	8%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2005 - June 30, 2010
	System's Experience	System's Experience
Inflation rate	2.50%	3.00%

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

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

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Measurement date	ERS March 31, 2016	TRS June 30, 2015
Asset Type:		
Domestic equity	7.30%	6.50%
International equity	8.55%	7.70%
Private equity	11.00%	
Real Estate	8.25%	4.60%
Absolute return strategies	6.75%	
Opportunistic portfolio	8.60%	
Real assets	8.65%	
Bond and mortgages	4.00%	
Cash	2.25%	
Inflation-indexed bonds	4.00%	
Alternative investments		9.90%
Domestic fixed income securities		2.10%
Global fixed income securities		1.90%
Mortgages		3.40%
Short-term		1.20%

Discount Rate

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

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

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
District's proportionate share of the net pension asset/(liability)	\$ (17,735,322)	\$ (7,865,141)	\$ 474,740
	<u>1% Decrease (7.0%)</u>	<u>Current Assumption (8.0%)</u>	<u>1% Increase (9.0%)</u>
<u>TRS</u>			
District's proportionate share of the net pension asset/(liability)	\$ (2,691,878)	\$ 39,462,897	\$ 75,412,068

Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
	(Dollars in thousands)	
Valuation date	April 1, 2015	June 30, 2015
Employers' total pension liability	\$ (172,303,544)	\$ (99,332,104)
Plan Fiduciary Net Position	<u>156,253,265</u>	<u>109,718,917</u>
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	90.70%	110.46%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$937,374.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid deduction and remittance to TRS. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$8,325,004.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 16 – RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$195,276 and \$3,491,212, respectively.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program, (the “Plan”) which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

B) Funding Policy:

The contribution requirements of Plan members and the District are established and may be amended by the District. For fiscal year 2016, the District contributed an estimated \$4,701,673 to the Plan. Plan members receiving benefits contributed 0%-40% of the health insurance premium, depending on coverage selected and date of retirement. The District recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C) Annual OPEB Cost and Net OPEB Obligation:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Annual required contribution	\$ 14,757,607
Interest on net OPEB obligation	2,433,353
Adjustment to Annual Required Contribution	(3,383,417)
Annual OPEB cost (expense)	13,807,543
Contributions made	(4,701,673)
Increase in net OPEB obligation	9,105,870
Net OPEB obligation-beginning of year	60,833,832
Net OPEB obligation-end of year	\$ 69,939,702

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

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$12,734,781	\$12,033,236	\$4,275,093	36%	\$52,679,033
6/30/2015	\$13,223,677	\$12,400,970	\$4,246,171	34%	\$60,833,832
6/30/2016	\$14,757,607	\$13,807,543	\$4,701,673	34%	\$69,939,702

C) Funded Status and Funding Progress:

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$172,667,049, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$172,667,049. The covered payroll (annual payroll of active employees covered by the Plan) was \$68,814,392, and the ratio of the UAAL to the covered payroll was 251%.

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

D) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

at the valuation date and the historical pattern of sharing benefit costs between the District and the plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation prepared by an outside actuarial firm, the Entry Age Normal cost method was used. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 4% after 7 years. The UAAL is being amortized using the level dollar amortization method over an open period of 30 years.

NOTE 18 – RISK MANAGEMENT:

A) General Information:

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

B) Risk Retention:

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. As of June 30, 2016, the District has recorded a workers' compensation payable for \$2,765,975. This represents the District's liability for unpaid reported claims and unreported claims which were incurred but not reported (IBNR) before year end. The District has a workers' compensation reserve in the amount of \$3,208,988.

The claims activity is as follows:

	2016	2015
Unpaid claims at beginning of year	\$ 2,317,355	\$ 2,385,173
Incurred claims	1,501,696	402,242
Claims payments and adjustments	(1,053,076)	(470,060)
Unpaid claims at year end	\$ 2,765,975	\$ 2,317,355

C) Consortiums and Self Insured Plans:

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

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2016 the District had encumbered the following amounts:

Assigned: Unappropriated Fund Balance

General fund for:

General support	\$ 595,397
Instruction	32,369
Debt service	<u>10</u>
Total general fund	<u>\$ 627,776</u>

B) Assigned: Unappropriated – Designated for OPEB:

The District had designated \$2,433,034 for other post-employment benefits. This amount represents a portion of the excess of the allowed 4% of the subsequent year's budget. The District appropriated \$600,000 of the assigned designated for other post employment benefits in the current year and plans on appropriating \$600,000 per year in the upcoming budgets.

C) Grants:

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

D) Operating Leases:

The District is committed under various non-cancelable operating leases, primarily for office equipment. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>
2017	\$ 61,473
2018	<u>61,473</u>
Total lease payments	<u>\$ 122,946</u>

Lease expenditures were \$91,312 for the year ended June 30, 2016.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

E) Litigation:

As of June 30, 2016, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 20 – SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 19, 2016 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$ 97,510,532	\$ 97,288,411	\$ 97,288,411	\$ -
Other tax items	13,000,000	13,222,121	13,223,851	1,730
Charges for services	2,868,212	2,868,212	2,218,897	(649,315)
Use of money and property	1,550,000	1,550,000	1,520,951	(29,049)
Sale of property and compensation for loss	-	-	10,220	10,220
Miscellaneous	1,361,700	1,361,700	1,650,021	288,321
Interfund revenues	2,600,000	2,600,000	2,842,703	242,703
State sources				
Basic formula	31,861,160	20,279,804	19,188,483	(1,091,321)
Excess cost aid	-	4,000,097	4,654,801	654,704
Lottery aid	-	5,083,258	5,083,258	-
BOCES aid	-	1,711,578	1,711,578	-
Textbook aid	-	384,625	384,625	-
Computer software aid	-	218,382	218,382	-
Library A/V loan program aid	-	54,387	54,387	-
Other state aid	-	129,029	91,454	(37,575)
Federal sources	-	-	303,660	303,660
TOTAL REVENUES	<u>150,751,604</u>	<u>150,751,604</u>	<u>150,445,682</u>	<u>(305,922)</u>
Other financing uses				
Transfers from other funds	-	-	84,415	84,415
TOTAL REVENUES AND OTHER SOURCES	<u>150,751,604</u>	<u>150,751,604</u>	<u>\$ 150,530,097</u>	<u>\$ (221,507)</u>
Appropriated fund balance	4,318,303	4,318,303		
Appropriated reserves	1,085,733	1,085,733		
TOTAL REVENUES, OTHER SOURCES & APPROPRIATED FUND BALANCE	<u>\$ 156,155,640</u>	<u>\$ 156,155,640</u>		

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

Supplemental Schedule #1
(Continued)

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$ 85,531	\$ 85,351	\$ 55,220	\$ -	\$ 30,131
Central administration	413,710	413,890	410,039	726	3,125
Finance	1,698,692	1,721,692	1,543,371	14,100	164,221
Staff	950,462	899,562	899,118	118	326
Central services	11,419,238	11,153,088	9,749,550	580,453	823,085
Special items	1,249,211	1,209,211	1,127,372	-	81,839
Instructional					
Instruction, adm & imp.	5,985,556	5,981,631	5,758,784	-	222,847
Teaching - regular school	45,480,840	45,288,083	45,002,412	12,444	273,227
Programs for children with handicapping conditions	24,474,077	25,087,915	24,936,421	-	151,494
Occupational education	777,450	946,200	946,200	-	-
Teaching special schools	607,107	543,108	530,448	-	12,660
Instructional media	2,818,785	2,866,876	2,732,360	7,628	126,888
Pupil services	5,972,655	6,019,285	5,920,546	12,297	86,442
Pupil transportation	8,655,882	8,725,482	8,281,923	-	443,559
Community services	26,700	26,700	15,101	-	11,599
Employee benefits	37,659,744	38,100,566	35,838,411	-	2,262,155
Debt service					
Debt service principal	4,847,000	4,829,000	4,827,213	-	1,787
Debt service interest	2,733,000	1,958,000	1,947,418	10	10,572
TOTAL EXPENDITURES	<u>155,855,640</u>	<u>155,855,640</u>	<u>150,521,907</u>	<u>627,776</u>	<u>4,705,957</u>
Other financing uses					
Transfers to other funds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 156,155,640</u>	<u>\$ 156,155,640</u>	<u>150,821,907</u>	<u>\$ 627,776</u>	<u>\$ 4,705,957</u>
Net change in fund balance			(291,810)		
Fund balance - beginning of year			<u>35,306,390</u>		
Fund balance - end of year			<u>\$ 35,014,580</u>		

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.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST
 EMPLOYMENT BENEFITS (OPEB)
 FOR THE FISCAL YEAR ENDED JUNE 30 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
07/01/13	\$ -	\$ 145,482,482	\$ 145,482,482	0%	\$ 64,078,932	227%
07/01/14	\$ -	\$ 150,947,453	\$ 150,947,453	0%	\$ 64,078,932	236%
07/01/15	\$ -	\$ 172,667,049	\$ 172,667,049	0%	\$ 68,814,392	251%

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

NYSERS Pension Plan			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0490031%	0.0483009%	0.0483009%
District's proportionate share of the net pension liability (asset)	\$ 7,865,141	\$ 1,631,724	\$ 2,182,651
District's covered payroll	\$ 18,238,761	\$ 17,679,595	\$ 17,077,690
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	43.12%	9.23%	12.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.90%	97.20%
NYTRS Pension Plan			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.379933%	0.369013%	0.371566%
District's proportionate share of the net pension liability (asset)	\$(39,462,897)	\$(41,105,753)	\$(2,445,843)
District's covered payroll	\$ 58,060,154	\$ 58,060,154	\$ 55,602,537
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	67.97%	70.80%	4.40%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.46%	111.48%	100.70%

Note: The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	NYTRS Pension Plan									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 3,267,627	\$ 3,407,588	\$ 3,194,786	\$ 3,263,054	\$ 2,849,705	\$ 2,459,571	\$ 1,441,557	\$ 1,245,283	\$ 1,454,663	\$ 1,449,963
Contributions in relation to the contractually required contribution	3,267,627	3,407,588	3,194,786	3,263,054	2,849,705	2,459,571	1,441,557	1,245,283	1,454,663	1,449,963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 18,373,788	\$ 17,963,008	\$ 17,291,655	\$ 17,038,034	\$ 17,689,170	\$ 18,345,640	\$ 17,797,312	\$ 17,264,606	\$ 16,226,081	\$ 15,376,620
Contributions as a percentage of covered employee payroll	17.78%	18.97%	18.48%	19.15%	16.11%	13.41%	8.10%	7.21%	8.96%	9.43%

	NYTRS Pension Plan									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 10,004,554	\$ 8,857,708	\$ 6,758,443	\$ 6,576,921	\$ 6,396,310	\$ 5,019,884	\$ 3,414,754	\$ 4,102,918	\$ 4,470,261	\$ 4,018,469
Contributions in relation to the contractually required contribution	10,004,554	8,857,708	6,758,443	6,576,921	6,396,310	5,019,884	3,414,754	4,102,918	4,470,261	4,018,469
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 60,435,165	\$ 58,060,154	\$ 55,602,537	\$ 54,787,789	\$ 57,779,812	\$ 57,444,314	\$ 55,377,480	\$ 57,176,321	\$ 51,333,462	\$ 48,541,801
Contributions as a percentage of covered employee payroll	16.55%	15.26%	12.15%	12.00%	11.07%	8.74%	6.17%	7.18%	8.71%	8.28%

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 156,069,907
Add: Prior year's encumbrances	<u>85,733</u>
Final Budget	<u>\$ 156,155,640</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	<u>\$ 159,004,073</u>
Maximum allowed (4% of 2016-17 budget)	<u>\$ 6,360,163</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance:	\$ 7,960,810	
Unassigned fund balance	<u>6,521,652</u>	
Total unrestricted fund balance		14,482,462
Less:		
Appropriated fund balance	4,900,000	
Encumbrances included in assigned fund balance	627,776	
Unassigned - reserve for tax reduction	<u>161,488</u>	
Total adjustments		<u>5,689,264</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 8,793,198</u>
Actual percentage		<u>5.53%</u>

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30 2016

Project Title	SED Project #	Original Appropriation	Revised Appropriation	Prior Year's	Expenditures		Interfund Transfer	Total	Unexpended Balance	Methods of Financing			Fund Balance June 30, 2016
					Current Year	Total				State Aid	Local Sources	Total	
Memorial Bathroom Renovation	9019	\$ 148,556	\$ 148,556	\$ -	\$ -	\$ -	\$ 148,556	\$ -	\$ -	\$ -	\$ -	\$ 148,556	\$ -
Stinson Interior Upgrade/Boiler Ct	12030	680,769	680,769	70,078	84,415	516,276	680,769	-	680,769	-	-	680,769	-
Stinson Boiler Replacement	17031	163,814	163,814	-	-	163,814	163,814	-	-	163,814	-	163,814	-
Installation Purchase Debt		82,728	82,728	-	-	82,728	82,728	-	-	-	-	82,728	-
TOTAL		\$ 1,084,867	\$ 1,084,867	\$ 218,634	\$ 84,415	\$ 772,818	\$ 1,075,867	\$ -	\$ 912,053	\$ 163,814	\$ -	\$ 1,075,867	\$ -

**SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENTS IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30 2016**

Capital assets, net		\$ 56,701,883
Add:		
Library bond	3,740,000	
	3,740,000	3,740,000
Deduct:		
Gain on defeasance	1,298,446	
Short-term portion of bonds payable	3,995,000	
Long-term portion of bonds payable	35,010,000	
Short-term portion of energy performance contract	624,404	
Long-term portion of energy performance contract	8,431,390	
Short-term portion of installment purchase debt	112,821	
Long-term portion of installment purchase debt	94,598	
	49,566,659	49,566,659
 Net investment in capital assets		 \$ 10,875,224

Robert S. Abrams
(1926-2014)



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

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

To the Board of Education
South Huntington Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the South Huntington Union Free School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Huntington Union Free School District's basic financial statements, and have issued our report thereon dated September 19, 2016.

Internal Control over Financial Reporting

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

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

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234

www.rsabrams.com

Compliance and Other Matters

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

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 19, 2016

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

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

Ladies and Gentlemen:

We have acted as Bond Counsel to South Huntington Union Free School District, in the County of Suffolk (the "School District"), a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$7,050,000 School District Refunding Serial Bonds-2017 (the "Bonds"), dated and delivered 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 on 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 District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the 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 imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

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

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 their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the 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 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 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 District with the procedures and covenants 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.

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

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

We give no assurances as to the adequacy, sufficiency or completeness of the Official Statement 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,

/s/ Hawkins Delafield & Wood LLP

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.

“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.

“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 21, 2017.

“Rule” means 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.

“School District” shall mean the South Huntington Union Free School District, in the County of Suffolk, a School District of the State of New York.

“Securities” shall mean the Issuer’s **\$7,050,000 School District Refunding Serial Bonds-2017**, dated June 21, 2017, maturing in various principal amounts on June 15 in each of the years 2018 to 2029, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The School District hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the EMMA System:

- (i) no later than the last day of the sixth month after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017 the Annual Information relating to such fiscal year, together with audited financial statements of the School District 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, and audited financial statements, if any, shall be delivered to the EMMA System within thirty (30) days after

they become available and in no event later than 360 days after the end of each fiscal year; 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 School District;

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 School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the School District, 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 School District;

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

- (iii) in a timely manner, not in excess of twenty (20) 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 School District from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the School District disseminates any such additional information, the School District 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 School District from providing notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Securities; but the School District does not undertake to commit to provide any such notice of the occurrence of any 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 School District's final official statement relating to the Securities under the headings: "The District," "Finances of the District", "Tax Information," "Indebtedness of the District" and "Economic and Demographic Information" and in Appendix A.

(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 School District's annual financial statements for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time. Such financial statements shall be audited by an independent accounting firm.

Section 5. Remedies. If the School District 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 School District and any of the officers, agents and employees of the School District, and may compel the School District 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 School District 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 School District 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 School District and the assumption of any such successor of the duties of the School District hereunder;
- (d) to add to the duties of the School District for the benefit of the Holders, or to surrender any right or power herein conferred upon the School District;
- (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 School District or to reflect changes in the identity, nature or status of the School District or in the business, structure or operations of the School

District 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 School District 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 the their terms. Upon any such legal defeasance, the School District 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 **June 21, 2017**.

SOUTH HUNTINGTON UNION FREE SCHOOL DISTRICT

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