PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 28, 2017

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "Tax Matters". The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

MATTITUCK–CUTCHOGUE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the "District")

$8,000,000

TAX ANTICIPATION NOTES, 2017

Dated Date: September 26, 2017 Maturity Date: June 27, 2018

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the District will be subject to the levy of ad valorem taxes, subject to applicable statutory limitations, for such purpose. See "*Nature of Obligation*" and "*The Tax Levy Limit Law*" herein.

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

Form and Denomination: At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

The Notes to be issued in book-entry only form will be issued as registered notes, 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 Notes to be issued in book-entry only form. Individual purchase of the Notes to be issued in book-entry only form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Noteholders of the Notes to be issued in book-entry only form will not receive certificates representing their ownership interest in the Notes to be issued in book-entry only form purchased. See "*Book-Entry Only System*" herein.

Payment: Payment of the principal of and interests on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practice as is now the case with municipal securities held for the accounts of customers registered in "street name." Payment will be the regulatory requirement as may be in effect from time to time. See "*Book-Entry System*" herein. Payment of the principal of and interest on the Notes issued in the certificated form registered to the purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). Paying agent fees, if any, will be paid by the purchaser(s).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or if issued in registered certificated form in Cutchogue, New York, or as may be agreed upon with the purchaser(s) on or about September 26, 2017.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. (SEE "DISCLOSURE UNDERTAKING" HEREIN).

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

385 Depot Lane
Cutchogue, NY 11935
Telephone: 631/298-4242
Fax: 631/298-8573

BOARD OF EDUCATION

Laura Jens-Smith, President
Charles Anderson, Vice President

Douglas A. Cooper
Marylynn Hoeg
Brian O. Mealy
Barbara Talbot
Barbara Wheaton

Anne Smith, Superintendent of Schools
Kevin J. Coffey, CPA, Business & Operations Administrator

School District Attorney

Ingerman Smith LLP
Hauppauge, New York

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, NY 11776
(631) 331-8888

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

No person has been authorized by the Mattituck-Cutchogue Central School District to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates 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 Mattituck-Cutchogue Central School District since the date hereof.

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OFFICIAL STATEMENT

Relating to

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$8,000,000 TAX ANTICIPATION NOTES, 2017

THE NOTES

General

The $8,000,000 Tax Anticipation Notes, 2017 (the "Notes") will be general obligations of the Mattituck-Cutchogue Union Free School District, Suffolk County, New York (the "District"), and will contain a pledge of the District's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). The Notes will be dated September 26, 2017, and will mature, without the right of redemption prior to maturity, on June 27, 2018 with interest payable at maturity.

The Notes will be issued in book-entry form or, at the option of the purchaser(s), as registered certificated notes. The Notes to be issued in book-entry form will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. See "*Book-Entry Only System*" herein. DTC will act as securities depository for such Notes. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. A single note will be issued for all such Notes bearing the same rate of interest and CUSIP number. Purchasers will not receive certificates representing their interest in such Notes. Principal and interest will be paid by the District directly to DTC for its nominee, Cede & Co.

Note certificates shall be delivered to the purchaser(s) of notes requested in registered certificated form to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). Paying agent fees, if any, will be paid by the purchaser(s).

Book-entry-only System

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

Source: The Depository Trust Company

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS, OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES;; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTIC TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes in Certain Circumstances

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes 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 system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

Disclosure Undertaking

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice not in excess of ten (10) business days after the of the occurrence of any of the following events with respect to the Notes:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the 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 (xiii) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in (xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Notes.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Between the Fall of 2008 and the present, there have been in excess of 25 rating actions on bond insurers reported by Moody's, Standard & Poor's and Fitch. The underlying credit rating of the District was not affected by the downgrades to these bonds insurers and, due to the widespread knowledge of the bond insurance company downgrades, material event notices were not filed at the time of such downgrades. On July 30, 2013, the District's Municipal Advisor, filed on behalf of the District a material event notice regarding the status of the rating of the bond insurers on various bonds issued by the District.

On August 28, 2014, the District filed a material event notice regarding a rating change. On June 29, 2011, the District received a rating upgrade from Standard & Poor's from "A" to "A+". A material event notice regarding such upgrade had not been filed at that time, but was later filed on August 28, 2014.

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

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2012	12/21/2012	12/21/2012
2013	12/18/2013	12/18/2013
2014	12/05/2014	11/10/2014
2015	12/09/2015	10/20/2015
2016	12/27/2016	10/24/2016

Authorization and Purpose

The Notes are being issued in anticipation of the collection of real property taxes receivable by the District during its 2017-2018 fiscal year, which commenced on July 1, 2017, and pursuant to a tax anticipation note resolution that was adopted by the Board of Education. The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "Cash Flow"). Such cash flow deficit is the result in part of the timing in the receipt of real property taxes, as a result of the fact that the dates fixed by law for the collection of such taxes do not conform to the expected cash needs of the District's operating budget.

Nature of Obligation

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

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limit Law"). The Tax Levy Limit Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limit Law imposes a statutory limitation on the District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limit Law, it also provides the procedural method to surmount that limitation. See "Tax Information - Tax Levy Limit Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the noteholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., 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 New York 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 not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York 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.

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, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional questions was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include countries, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/'or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain stat officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts. They do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision

The Notes when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property

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, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, city, town or school district, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for 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 be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the 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. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the District be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the District could be adversely affected by the restructuring of the District's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the District (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the District under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commerce or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such District of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), 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, as described below, authorizing any county, city, town or school district 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.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or school district. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or school district upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict , subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and school districts so as to prevent abuses in taxation and assessment and in contracting indebtedness by them. In 2013, the State established a new state advisory board to assist counties, cities, towns and school district in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is

authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The District is not working with the FRB. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "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. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes, including the Notes.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events including financial crisises as they may occur in the State and in political subdivisions of the State 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. See "*Nature of Obligation*" and "*State Debt Moratorium Law*" herein.

No Past Due Debt

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

THE DISTRICT

Description

The Mattituck-Cutchogue Union Free School District was formed effective July 1, 1997 with the annexation of the former Laurel Common School District to the former Mattituck-Cutchogue Union Free School District which was formed in 1934. The District is located in the Towns of Southold and Riverhead in Suffolk County on the north fork of Long Island. The District covers approximately 24 square miles and has an estimated population of 9,711.

The District is a mixture of residential/resort and agricultural areas, with many of its residents commuting to the New York City area for employment. The community includes vineyards, sod farms, horse breeding farms and traditional crop farms.

Water services are provided by the Suffolk County Water Authority and the Town of Riverhead, or by private wells. Electricity and natural gas are provided by PSEG Long Island and Brooklyn Union Gas; telephone service by Verizon. Police protection is provided by the Town of Southold and the Town of Riverhead, supplemented by the County Sheriff's Department and the State Police. Fire protection and ambulance service are provided by various volunteer organizations.

The District provides public education for grades K-12. Opportunities for higher education include the many colleges and universities in and around the New York City area.

District residents find commercial and financial services in the hamlets of Mattituck and Cutchogue.

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 (the "Education Law") affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District held in the spring of each year. The term of office for each board member is three 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 Business and Operations Administrator.

Enrollment History

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

School Year	School Enrollment
2013	1,348
2014	1,290
2015	1,218
2016	1,200
2017	1,195

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2018	1,160
2019	1,065
2020	1,000

Source: District Officials.

District Facilities

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

Name of Building	Grades	Date of Construction	Last Addition	Capacity	Insured Value
District Offices/Administration	NA	1927	-	NA	$ 1,892,396
Mattituck Junior/Senior High School	7-12	1934	2006	1,000	32,859,186
Cutchogue East Elementary	K-6	1954	2001	900	20,695,087
Laurel Elementary	NA	1929	1990	NA	1,621,662

a. The Junior/Senior High School share the same site.
b. Laurel Elementary is currently unused by the District. The District negotiated a 7-year lease with the Family Service League in June 2012.

Employees

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

Name of Union	Expiration Date of Contract	Approx. No. of Members
Mattituck-Cutchogue Teachers Association	06/30/2023	133
Civil Service Employees' Association	06/30/2022	90
Mattituck-Cutchogue Administrator's Association	06/30/2020	7

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

Year	Town of Southold	Suffolk County	New York State
1980	19,172	1,284,231	17,557,288
1990	19,836	1,321,977	17,990,455
2000	20,599	1,419,369	18,976,457
2010	23,175	1,518,475	19,541,453
2015	22,204	1,501,373	19,673,174

Source: U.S. Bureau of the Census.

Income Data

Income Data is not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Towns of Southold and Riverhead and the County of Suffolk. The information set forth below with respect to such Towns, County and State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the Towns, County or State or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2015[a]
Town of Southold	$19,037	$27,619	$41,450	$47,126
Town of Riverhead	15,643	24,647	33,461	34,885
Suffolk County	18,481	26,577	35,411	37,634
State of New York	16,501	23,389	30,791	33,236

	Median Household Income			
	1990	2000	2010	2015[a]
Town of Southold	$35,392	$50,318	$73,171	$78,374
Town of Riverhead	32,655	46,195	68,254	64,775
Suffolk County	49,128	65,149	84,506	88,663
New York State	32,965	43,070	55,603	59,269

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimate (2011-2015)

Major Employers in the Town of Southold

Name	Type	Aprox. No. of Employees
Eastern Long Island Hospital	Hospital	390
Mattituck-Cutchogue UFSD	Public School	380
Plum Island ADC	U.S. Government Facility	360
Town of Southold	Local Government	275
Peconic Landing	Life Care Community	214
Southold UFSD	Public School	164
San Simeon by the Sound	Nursing Home	175
Claudio's Restaurant	Restaurant	120
Greenport UFSD	Public School	100
Stidd Systems	Marine Parts	75
Village of Greenport	Local Government	73

Unemployment Rate Statistics

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

Annual Averages:	Suffolk County (%)	New York State (%)
2012	7.8	8.6
2013	6.5	7.7
2014	5.3	6.4
2015	5.0	5.5
2016	4.3	4.8
2017 (5 Month Average)	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the District and the Notes, include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, 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 (such as the Notes), 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 expiration of the period of probable usefulness of the object or purpose as determined by statute or the weighted average maturity thereof. No installment may be more than fifty per centum in excess of the smallest prior installment unless the District provides for substantially level or declining annual debt service in the manner prescribed by the State Legislature. 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 or such required annual installments on its notes.

Debt Limit. The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of the taxable real estate of the District and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the District and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Requirements and 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 and the General Municipal Law.

Pursuant to the Local Finance Law, the District authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Board of Education, the finance board of the District. Customarily, the Board of Education has delegated to the President of the Board of Education, as chief fiscal officer of the District, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or

2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication,

or

3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the District complies with this estoppels procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

The following pages present certain details with respect to the indebtedness of the District as of the date of the Debt Statement prepared in connection with the issuance of the Notes.

Computation of Debt Limit and Debt Contracting Margin
(As of August 28, 2017)

In Town of:	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Southold (2016-2017)[a]	$39,817,534	1.08	$3,686,808,704
Riverhead (2016-2017)[a]	7,094,392	14.66	48,392,851
Total			$3,735,201,555
Debt Limit - 10% of Full Valuation			$373,520,155
Inclusions:[b]			
Outstanding Bonds			$15,290,000
Bond Anticipation Notes			0
Total Indebtedness			15,290,000
Exclusions (Estimated Building Aid)[c]			1,223,200
Total Net Indebtedness			14,066,800
Net Debt Contracting Margin			$359,453,355
Per Cent of Debt Contracting Margin Exhausted			3.77%

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

Debt Service Requirements – Energy Performance Contract

The District entered into a lease purchase financing in Fiscal Year 2009 to provide funding for its Energy Performance Contract in the amount of $1,644,903. The lease purchase financing was refinanced in 2012. In 2015, the District paid the remaining balance for the Energy Performance Contract in the amount of $735,861.

Details of Short-Term Indebtedness Outstanding

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

Trend of Outstanding Indebtedness
As at June 30:

	2013	2014	2015	2016	2017
Bonds	$24,795,000	$22,820,000	$20,540,000	$18,320,000	$16,385,000
BANs	-	-	-	-	-
Energy Performance Contracts	1,381,641	1,279,887	735,861	-	-
Total	$26,176,641	$24,099,887	$21,275,861	$18,320,000	$16,385,000

Debt Service Requirements - Outstanding Bonds

FYE June 30:	Principal	Interest	Total
2018	$1,875,000	$717,986	$2,592,986
2019	1,360,000	622,536	1,982,536
2020	1,150,000	561,136	1,711,136
2021	1,080,000	506,736	1,586,736
2022	1,085,000	454,086	1,539,086
2023	1,105,000	400,799	1,505,799
2024	1,130,000	346,430	1,476,430
2025	1,170,000	290,330	1,460,330
2026	1,210,000	232,355	1,442,355
2027	1,255,000	172,230	1,427,230
2028	1,305,000	109,855	1,414,855
2029	1,340,000	59,425	1,399,425
2030	1,320,000	19,800	1,339,800
	$16,385,000	$4,493,704	$20,878,704

Tax Anticipation Notes

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

FYE June 30:	Amount	Type	Issue	Maturity
2013	$9,900,000	TAN	08/22/2012	06/27/2013
2014	10,300,000	TAN	08/27/2013	06/26/2014
2015	9,500,000	TAN	08/28/2014	06/25/2015
2016	9,400,000	TAN	08/27/2015	06/17/2016
2017	9,200,000	TAN	08/26/2016	06/28/2017

Authorized and Unissued Debt

The District has no authorized and unissued debt outstanding.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/08/2017	2.85	$64,327,514	$37,366,375
Town of Southold	08/31/2016	6.79	2,453,770	2,453,770
Town of Riverhead	12/31/2015	20.29	19,764,480	19,764,480
Fire Districts (Est.)	12/31/2015	Var.	1,890,426	1,890,426
Totals			$88,436,190	$61,475,051

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

Debt Ratios
(As of August 28, 2017)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$15,290,000	$ 1,575	0.409
Net Direct Debt	14,066,800	1,449	0.377
Total Direct & Applicable Total Overlapping Debt	103,726,190	10,681	2.777
Net Direct & Applicable Net Overlapping Debt	75,541,851	7,779	2.022

a. The current population of the District is 9,711.

b. The full valuation of taxable property is $3,735,201,555.

FINANCES OF THE DISTRICT

Independent Audit

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 D.

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. 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 reduction 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 included an increase of $751 million in State aid for school districts.

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

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The Enacted 2014-2015 State Budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the state aid increase. The Enacted 2014-2015 State Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The Enacted 2014-2015 State Budget 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 included 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 "GEA"). The majority 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.

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 has been reduced as a result of the GEA program since 2009. The Adopted Budget for the State's 2015-2016 fiscal year also included a further reduction of the GEA. The Adopted Budget for the State's 2016-2017 fiscal year includes the elimination of the remaining balance of the GEA, resulting in more State aid to the District in the 2016-2017 fiscal year.

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 $273,511.

A case related to the campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights ("NYSER") v. State of New York and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the "foundation aid" formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. It is not possible to predict the outcome of this litigation. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient state funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross educational inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

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 2018-2019 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, and the 2017 and 2018 budgets.

FYE June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2012	$36,314,367	$2,481,274	6.83
2013	37,002,069	2,344,110	6.34
2014	38,042,295	2,480,665	6.52
2015	38,917,515	2,574,511	6.62
2016	39,273,927	2,553,353	6.50
2017 (Budgeted)[a]	40,333,921	2,800,000	6.94
2018 (Budgeted)[a]	40,765,316	2,800,000	6.87

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

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 16.7%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released January 24, 2014. The purpose of such audit was to evaluate the District's financial operation and use of fund balance for the period July 1, 2012 through July 31, 2013. The complete report, along with the District's response, may be found on the OSC's official website. The District is not currently being audited by the OSC.

Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments when there are enough funds available for the State to do so. 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 the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

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

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the budgeted amount for the fiscal year 2017.

Fiscal Year Ending June 30:	ERS	TRS
2013	$1,954,480	$471,767
2014	2,024,366	529,607
2015	2,830,302	490,130
2016	2,135,007	476,522
2017 (Budgeted)	1,901,221	401,113

Source: Audited Financial Statements.

Other Post-Employment Benefits

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

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

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation	Fiscal Year Ending June 30:
Annual required contribution (ARC)	$4,335,116
Interest on net OPEB obligation	767,973
Less: Adjustments to ARC	(1,067,815)
Annual OPEB cost (expense)	4,035,274
Less: Contributions made	(1,727,706)
Increase in net OPEB obligation	2,307,568
Net OPEB obligation-beginning of year	19,199,315
Net OPEB obligation-end of year	$21,506,883

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2016	$4,035,274	42.8	$21,506,883
June 30, 2015	4,071,830	42.5	19,199,315
June 30, 2014	4,105,319	40.0	16,858,525

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. At this time, New York State has not developed guidelines or legal authority 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.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The State Comptroller's proposal would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish and 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, designate the president of the Civil Service Commission as the trustee of the State's OPEB trust and there governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the State Comptroller's proposal, there are no limits on how much a local government can deposit into the trust. The legislation was not included in the last two legislative sessions. It is not known if it will be reintroduced in future legislative sessions.

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 County. Assessment valuations are determined by the 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, and for the 2017 and 2018 budgets.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2012	$36,314,367	$31,060,466	85.53
2013	37,002,069	31,778,012	85.88
2014	38,042,295	32,857,352	86.37
2015	38,917,515	33,498,664	86.08
2016	39,273,927	34,123,899	86.89
2017 (Budgeted)[a]	40,333,921	36,103,583	89.51
2018 (Budgeted)[a]	40,765,316	36,109,638	88.58

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

Tax Collection Procedure

Property taxes for the District, together with Town and County taxes, are collected by the Town tax receivers. 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 District receives its full levy before the end of its fiscal year. Uncollected amounts are not segregated by the Town tax receiver, and any deficiency in tax collection is the County's liability.

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 5% of the District's 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 5% of the District's 2017-2018 school tax levy is expected to be exempted by the STAR program and. (See *"State Aid"* herein).

Valuations, Rates and Levies

	2013	2014	2015	2016	2017
Town of Southold:					
Assessed Valuation	$39,885,790	$39,716,951	$39,660,759	$39,766,358	$39,817,534
Equalization Rate	1.15%	1.18%	1.17%	1.10%	1.08%
Full Valuation	$3,468,329,565	$3,365,843,305	$3,389,808,462	$3,615,123,455	$3,686,808,704
Town of Riverhead:					
Assessed Valuation	$6,940,470	$6,979,562	$6,952,958	$7,055,693	$7,094,392
Equalization Rate	15.27%	15.98%	15.40%	14.58%	14.66%
Full Valuation	$45,451,670	$43,676,859	$45,149,078	$48,392,956	$48,392,851
Totals:					
Assessed Valuation	$46,826,260	$46,696,513	$46,613,717	$46,822,051	$46,911,926
Full Valuation	$3,513,781,235	$3,409,520,164	$3,434,957,540	$3,663,516,411	$3,735,201,555
Town of Southold:					
Tax Levy	$33,170,675	$34,262,903	$34,884,614	$35,487,676	$35,636,005
Tax Rate Per $1000 of Assessed Valuation	$831.64	$862.68	$879.58	$890.44	$894.24
Town of Riverhead:					
Tax Levy	$434,487	$444,396	$464,381	$474,890	$465,477
Tax Rate Per $1000 of Assessed Valuation	$62.60	$63.67	$66.79	$67.31	$65.61

Selected Listing of Large Taxable Properties

2016-2017 Assessment Roll

Name	Type	Full Valuation
LILCO, LIPA Marketspan & Keyspan	Public Utility	$43,181,759
Cardinal, Alan	Commercial/Residential	35,259,259
E & C Property Holdings	Commercial	11,888,888
Susan Norris	Estate	10,620,370
Laurel Links Country Club	Golf Club	8,865,740
North Fork Country Club	Golf Club	8,388,888
Strong's Marine	Marina	7,828,703
Serota Nathan L	Commercial	6,601,851
Mims Holding LLC	Commercial	6,000,000
Marlake Associates	Agricultural	5,370,370
New York Telephone/Verizon	Utility	5,209,537
Resident	Residential	4,583,333
Glendalough Prop	Estate	4,555,555
Pia Christopher	Commercial	4,425,925
House Regina 13451 LLC	Residential	4,407,407
	Total [a]	$167,187,585

a. Represents 4.48% of the total full valuation of the District for 2016-2017.
Source: Town Assessment Rolls.

Tax Certiorari Claims

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

LITIGATION

In common with other School Districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District 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.

There is no action, suit, proceedings or investigation, a law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

RISK FACTORS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

The financial and economic condition of the District, as well as the market for the Notes, could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There are various other forms of risk associated with investing in the Notes. Although none of such risks currently exist with respect to the District or the Notes, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "*Special Provisions Affecting Remedies Upon Default*", herein). If a Noteholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District's financial condition.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school's in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District.

A deterioration of District finances could cause the credit rating of the District bonds to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by S&P Global Ratings. Any of such actions on the part of S&P Global Ratings could have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

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

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Notes (See "*Tax Matters*" herein).

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes possibly being included in gross income for federal income tax purposes as well as for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to the in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted upon.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Certain legislative proposals in recent years generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes, Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix C.

RATING

The District has not applied for a rating for the Notes.

Standard & Poor's Corporation ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153 has assigned a rating of "AA" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

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

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Notes are to be issued is the Education Law and the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the District is July 1 to June 30.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the District, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Business & Operations Administrator, Kevin Coffey, CPA, Mattituck-Cutchogue Union Free School District, 385 Depot Lane, Cutchogue, New York 11935, telephone number 631/298-4242, email: kcoffey@mufsd.com, 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 assumes no liability or responsibility for any errors or omissions, unauthorized editing or for any updates to dated website information.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of facts, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the works "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the President of the Board of Education of the District pursuant to the power delegated to him by the authorizing tax anticipation resolution to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the Mattituck-Cutchogue Union Free School District.

By: _____
LAURA JENS-SMITH
President of the Board of Education
Mattituck-Cutchogue Union Free School District

Dated: September , 2017

APPENDIX A

FINANCIAL INFORMATION

Mattituck-Cutchogue Union Free School District
Statement of Revenues, Expenditures and Fund Balances
General Fund

Fiscal Year Ending June 30:	2012	2013	2014	2015	2016
Revenues:					
Real Property Taxes	$ 31,060,466	$ 31,778,012	$ 32,857,352	$ 33,498,664	34,123,899
Other Real Property Tax Items	1,931,141	1,931,032	1,957,947	1,954,104	1,846,782
Charges for Services	465,100	616,503	461,844	620,790	536,958
Use of Money and Property	113,821	129,167	107,675	101,995	102,608
Sale of Property and Compensation for Loss	8,211	9,779	2,927	1,642	10,340
Miscellaneous	227,728	146,791	171,488	165,593	99,987
State Sources	2,481,274	2,344,110	2,480,665	2,574,511	2,553,353
Federal Sources	26,626	46,675	2,397	216	
Total Revenues	36,314,367	37,002,069	38,042,295	38,917,515	39,273,927
Expenditures:					
General Support	3,727,269	3,840,085	3,870,472	3,826,769	3,761,539
Instruction	18,997,750	19,187,378	19,176,994	19,259,935	19,441,784
Pupil Transportation	1,436,237	1,415,764	1,334,462	1,398,245	1,449,491
Community Services	52,522	52,096	54,772	50,231	
Employee Benefits	8,326,782	8,879,630	9,600,991	9,945,812	9,434,724
Debt Service	3,247,983	3,201,198	3,237,813	3,592,311	3,776,126
Total Expenditures	35,788,543	36,576,151	37,275,504	38,073,303	37,863,664
Excess (Deficit) Of Revenues Over Expenditures & Other Uses	525,824	425,918	766,791	844,212	1,410,263
Other Financial Sources and (Uses):					
Premium Obligations	30,444	32,670	63,757		
Interfund Transfers In	202,528	243,694	121,797	28,202	95,129
Interfund Transfers Out	(420,493)	(197,390)	(190,840)	(324,792)	(946,196)
Total Other Financing Sources and (Uses)	(187,521)	78,974	(5,286)	(296,590)	(851,067)
Net Change in Fund Balance:	338,303	504,892	761,505	547,622	559,196
Other Changes in Fund Balance					
Net Increase (Decrease)					
Fund Balances Beg. of Fiscal Year	7,132,450	7,470,753	7,975,645	8,737,150	9,284,772
Fund Balances Beg. of Fiscal Year as Restated					
Fund Balances End of Fiscal Year	$ 7,470,753	$ 7,975,645	$ 8,737,150	$ 9,284,772	9,843,968

Source: Audited Annual Financial Reports of the District (2012-2016)
NOTE: This table NOT audited

Mattituck-Cutchogue Union Free School District
Balance Sheet - General Fund
Fiscal Year Ended June 30, 2016

ASSETS:	
Cash and Investments	9,717,928
Taxes	1,949,421
State & Federal Aid Receivable	107,898
Due From Other Governments	268,418
Due from Other Funds	802,913
Other	
Total Assets	12,846,578
LIABILITIES & DEFERRED REVENUE:	
Accounts Payable	121,851
Accrued Liabilities	24,929
Due to Other Governments	384,303
Due to Other Funds	119,290
Due to Retirement Systems	2,352,237
Collections in Advance	
Total Liabilities & Deferred Revenue	3,002,610
FUND BALANCE:	
Fund Balances:	
Restricted	7,188,072
Assigned	1,042,539
Unassigned	1,613,357
Total Fund Equity and Other Credits	9,843,968
Total Liabilities and Fund Equity	12,846,578

Source: Audited Annual Financial Report Fiscal Year Ending June 30, 2016
NOTE: This table NOT audited

Mattituck-Cutchogue Union Free School District
Financial Information
Valuations, Tax Levies and Tax Rates

	2012	2013	2014	2015	2016
Town of Southold:					
Assessed Valuation	$ 40,125,609	39,885,790	$ 39,716,951	$ 39,660,759	$ 39,766,358
Equalization Rate	1.11%	1.15%	1.18%	1.17%	1.10%
Full Valuation	3,614,919,730	3,468,329,565	3,365,843,305	3,389,808,462	3,615,123,455
Town of Riverhead:					
Assessed Valuation	$ 7,009,602	6,940,470	$ 6,979,562	$ 6,952,958	$ 7,055,693
Equalization Rate	15.33%	15.27%	15.98%	15.40%	14.58%
Full Valuation	45,724,736	45,451,670	43,676,859	45,149,078	48,392,956
Totals:					
Assessed Valuation	$ 47,135,211	46,826,260	$ 46,696,513	$ 46,613,717	$ 46,822,051
Full Valuation	3,660,644,466	3,513,781,235	3,409,520,164	3,434,957,540	3,663,516,411
Town of Southold:					
Tax Levy	$ 32,476,280	33,170,675	$ 34,262,903	$ 34,884,614	$ 35,487,676
Tax Rate Per $1000 of Assessed Valuation	809.36541	831.64142	862.67707	879.57505	890.43800
Town of Riverhead:					
Tax Levy	$ 410,559	434,487	$ 444,396	$ 464,381	$ 474,890
Tax Rate Per $1000 of Assessed Valuation	58.57094	62.60196	63.67100	66.78898	67.30600

Mattituck-Cutchogue Union Free School District
Budget Summaries
Fiscal Years Ended June 30

	2015-2016	2016-2017
Revenues:		
Real Property Taxes	$ 35,962,562	$ 36,103,583
State Aid	2,669,500	2,800,000
Federal Aid	3,000	9,000
Charges for Services	301,000	169,338
Use Of Money & Prop.	108,000	102,000
Appropriation of Fund Balance from Prior Fiscal Year	990,000	1,000,000
Miscellaneous Items	250,000	150,000
Total	$ 40,284,062	$ 40,333,921
Expenditures:		
General Support	$ 4,999,796	$ 5,026,948
Instruction	20,410,095	20,407,129
Pupil Transportation	1,638,861	1,692,964
Community Services	47,563	63,888
Employee Benefits	9,683,255	9,680,435
Interfund Transfer	372,570	659,458
Debt Service	3,131,922	2,803,099
Total	$ 40,284,062	$ 40,333,921

Sources: Adopted Budgets of the District.

APPENDIX B

CASH FLOW SUMMARIES

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2016-2017 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	9,718	7,468	16,358	12,964	10,425	7,350	4,191	10,789	15,623	13,425	11,278	10,323	9,718
RECEIPTS													
Property Taxes	965	985					8,593	6,598	1,617	3	1,626	18,370	38,757
STAR							1,636						1,636
State Aid		103	123	14	14	186	15	36	405		42	141	1,079
Other Receipts	157	229	90	86	45	57	83	37	62	276	762	137	2,021
TAN Proceeds		9,200											9,200
Total Receipts	1,122	10,517	213	100	59	243	10,327	6,671	2,084	279	2,430	18,648	52,693
DISBURSEMENTS													
Operating Expenses	1,948	1,627	3,607	2,639	3,134	3,351	3,388	1,837	4,282	2,426	3,385	6,641	38,265
TAN Repayment Provision												9,200	9,200
TAN Interest												154	154
Other Debt Service	1,424					51	341					926	2,742
Other Disbursements													
Total Disbursements	3,372	1,627	3,607	2,639	3,134	3,402	3,729	1,837	4,282	2,426	3,385	16,921	50,361
Balance	7,468	16,358	12,964	10,425	7,350	4,191	10,789	15,623	13,425	11,278	10,323	12,050	12,050
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	9,200	9,200
Disbursements	0	0	0	0	0	0	0	0	0	0	0	9,200	9,200
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTION 2017-2018 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	12,050	8,374	6,804	11,219	7,519	4,079	694	7,608	12,668	10,743	8,918	8,148	12,050
RECEIPTS													
Property Taxes							8,600	6,590	1,615		1,625	18,375	36,805
STAR							1,630						1,630
State Aid		100	125	15	15	185	15	35	400		45	145	1,080
Other Receipts	160	230	90	85	45	60	85	35	60	275	760	135	2,020
TAN Proceeds			8,000										8,000
Total Receipts	160	330	8,215	100	60	245	10,330	6,660	2,075	275	2,430	18,655	49,535
DISBURSEMENTS													
Operating Expenses	2,400	1,900	3,800	3,800	3,500	3,600	3,100	1,600	4,000	2,100	3,200	6,000	39,000
TAN Repayment Provision												8,000	8,000
TAN Interest												130	130
Debt Service	1,436					30	316					810	2,592
Total Disbursements	3,836	1,900	3,800	3,800	3,500	3,630	3,416	1,600	4,000	2,100	3,200	14,940	49,722
Balance	8,374	6,804	11,219	7,519	4,079	694	7,608	12,668	10,743	8,918	8,148	11,863	11,863
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	8,000	8,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	8,000	8,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

September 26, 2017

Mattituck-Cutchogue Union Free School District,
County of Suffolk,
State of New York

Re: Mattituck-Cutchogue Union Free School District, Suffolk County, New York
$8,000,000 Tax Anticipation Notes, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a $8,000,000 Tax Anticipation Note, 2017 (the "Obligation"), of the Mattituck-Cutchogue Union Free School District, Suffolk County, New York (the "Obligor"), dated September 26, 2017, numbered , of the denomination of $8,000,000, bearing interest at the rate of % per annum, payable at maturity, and maturing June 27, 2018.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

APPENDIX D

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.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mattituck-Cutchogue Union Free School District
Cutchogue, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Mattituck-Cutchogue Union Free School District (District), as of and for the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Mattituck-Cutchogue Union Free School District, as of June 30, 2016, and the respective changes in financial position for the 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 management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 15 and 49 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mattituck-Cutchogue Union Free School District's basic financial statements. The other supplementary information on pages 54 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Mattituck-Cutchogue 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 Mattituck-Cutchogue Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 30, 2016

The Mattituck-Cutchogue Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by $2,861,962. This was due to an excess of revenues over expenses based on the accrual basis of accounting.

- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $37,357,578. Of this amount, $1,482,571 was offset by program charges for services and operating grants. General revenues of $38,736,969 amount to 96% of total revenues, and were adequate to cover the balance of program expenses.

- The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements were $40,219,540 and $37,357,578, respectively.

- The District received $633,414 in operating grants to support instructional programs.

- The general fund's total fund balance of $9,843,968, as reflected in the fund financial statements, increased by $559,196. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

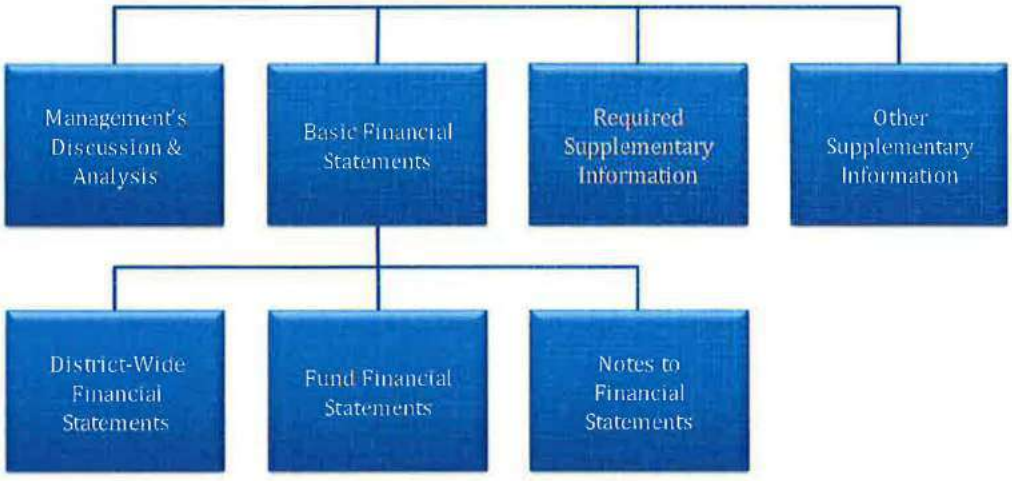
- On the balance sheet, the general fund's unassigned fund balance at year end was $1,613,357. This represents an increase of $3,291 over the prior year. The unassigned fund balance is at a level which leaves the District in a fiscally prudent position.

- The District's 2016 property tax levy of $35,962,562 was a 1.74% increase over the 2015 tax levy. The District's property tax cap was 1.74%.

- During the current year, the District used $640,872 of available fund balance to advance pay the remaining balance on the District's energy performance contract consisting of $634,123 in principal and $6,749 in interest.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds: general, special aid, school lunch and capital projects funds; each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by $2,861,962 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	$ 13,629,099	$ 13,612,730	$ 16,369	0.12 %
Capital Assets, Net	36,321,811	37,497,224	(1,175,413)	(3.13)%
Net Pension Asset - Proportionate Share	11,162,565	12,050,409	(887,844)	(7.37)%
Total Assets	61,113,475	63,160,363	(2,046,888)	(3.24)%
Deferred Outflows of Resources	4,575,713	4,108,386	467,327	11.37 %
Current and Other Liabilities	3,287,303	3,753,932	(466,629)	(12.43)%
Long-Term Liabilities	22,403,906	25,602,615	(3,198,709)	(12.49)%
Net Other Postemployment Benefits Obligation	21,506,883	19,199,315	2,307,568	12.02 %
Net Pension Liability - Proportionate Share	1,484,524	313,322	1,171,202	373.80 %
Total Liabilities	48,682,616	48,869,184	(186,568)	(0.38)%
Deferred Inflows of Resources	4,014,420	8,269,375	(4,254,955)	(51.45)%
Net Investment in Capital Assets	18,001,811	16,221,393	1,780,418	10.98 %
Restricted	7,188,072	5,989,415	1,198,657	20.01 %
Unrestricted (deficit)	(12,197,731)	(12,080,618)	(117,113)	0.97 %
Total Net Position	$ 12,992,152	$ 10,130,190	$ 2,861,962	28.25 %

Current and other assets increased by $16,369, as compared to the prior year. The increase is related to a $220,986 increase in cash. Additionally, other assets increased $72,278, which represents cash held by a third-party administrator for workers' compensation. These increases were offset by a $232,479 decrease in due from state and federal and due from other governments and a $42,777 decrease in taxes receivable.

Capital assets net decreased by $1,175,413, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by $887,844, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years in the amount of $3,680,169. Deferred outflows also includes $895,544, which represents the unamortized amount of deferred charges on the District's refunding bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the old debt.

Current and other liabilities decreased $466,629. The District's liability to the teachers' retirement system decreased $698,822 due to a lower contribution rate than the prior year. There was a $98,036 decrease in accounts payable and a $39,061 decrease in collections in advance. These decreases were offset by increases in accrued liabilities and due to other governments of $183,155, and $201,780, respectively.

Long-term liabilities decreased by $3,198,709, as compared to the prior year. The District made principal payments of $2,220,000 on serial bonds; $735,831 on the energy performance contract; compensated absences decreased by $62,153, and the premium on the District's bond refunding decreased $282,721. These decreases were offset by an increase in the workers' compensation liability of $101,996.

Net other postemployment benefits (OPEB) obligation increased by $2,307,568, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by $1,171,202 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as land; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year as follows:

	Increase (Decrease)
Capital asset additions	$ 295,430
Principal debt reduction of construction bonds, net	2,220,000
Principal debt reduction on energy performance contract	735,831
Depreciation expense	(1,470,843)
	$ 1,780,418

The restricted amount of $7,188,072 relates to the District's workers' compensation, unemployment insurance, retirement contribution, and employee benefit accrued liability reserves. This number increased over the prior year by $1,198,657. The District funded the workers' compensation and retirement contribution reserves in the amounts of $281,092, and $1,050,002, respectively. Interest of $15,627 was also allocated to the reserves. These increases were offset by the usage of the workers' compensation ($81,092) and retirement contribution ($66,972) reserves.

The unrestricted deficit amount of $(12,197,731) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by $1,328,604.

The District's total net position increased by $2,861,962 or 28.25%; $12,992,152 at June 30, 2016, compared to $10,130,190 at June 30, 2015.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

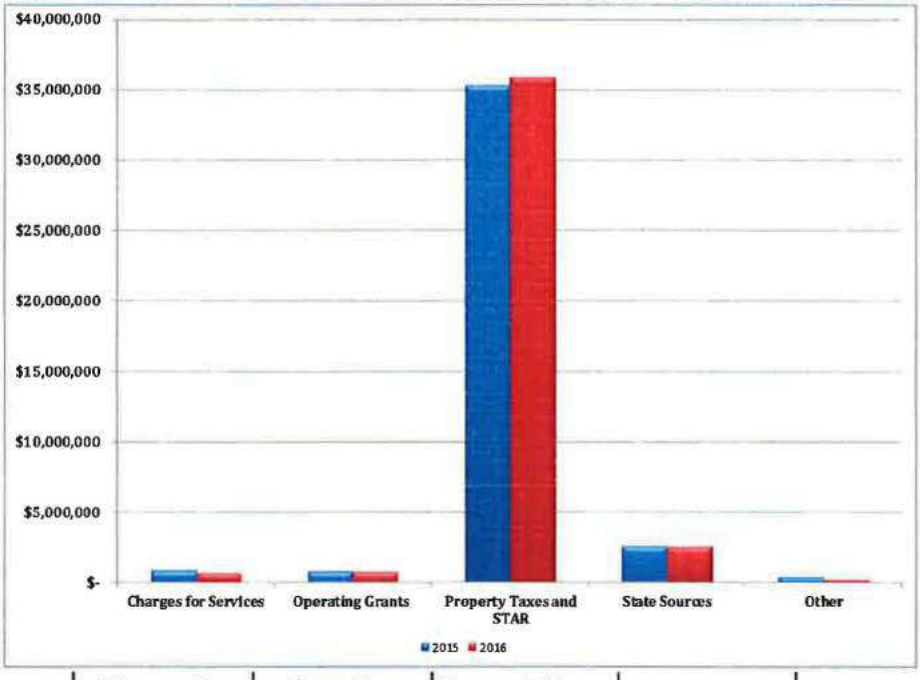
	2016	2015	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 717,117	$ 834,359	$ (117,242)	(14.05)%
Operating Grants	765,454	795,344	(29,890)	(3.76)%
General Revenues				
Property Taxes and STAR	35,968,134	35,342,899	625,235	1.77 %
State Sources	2,553,353	2,574,511	(21,158)	(0.82)%
Other	215,482	379,315	(163,833)	(43.19)%
Total Revenues	40,219,540	39,926,428	293,112	0.73 %
Expenses				
General Support	5,741,493	4,994,599	746,894	14.95 %
Instruction	28,917,666	28,623,640	294,026	1.03 %
Pupil Transportation	1,567,599	1,586,321	(18,722)	(1.18)%
Community Service		72,783	(72,783)	(100.00)%
Debt Service - Interest	840,791	831,224	9,567	1.15 %
Food Service Program	290,029	302,690	(12,661)	(4.18)%
Total Expenses	37,357,578	36,411,257	946,321	2.60 %
Increase in Net Assets	$ 2,861,962	$ 3,515,171	$ (653,209)	(18.58)%

The District's net position increased by $2,861,962 and $3,515,171 for the years ended June 30, 2016 and 2015, respectively.

The District's revenues increased by $293,112 or 0.73%. The major factor that contributed to the increase was the increase in property taxes and STAR revenues of $625,235, which was offset by decreases in charges for services, operating grants, state sources and other revenues.

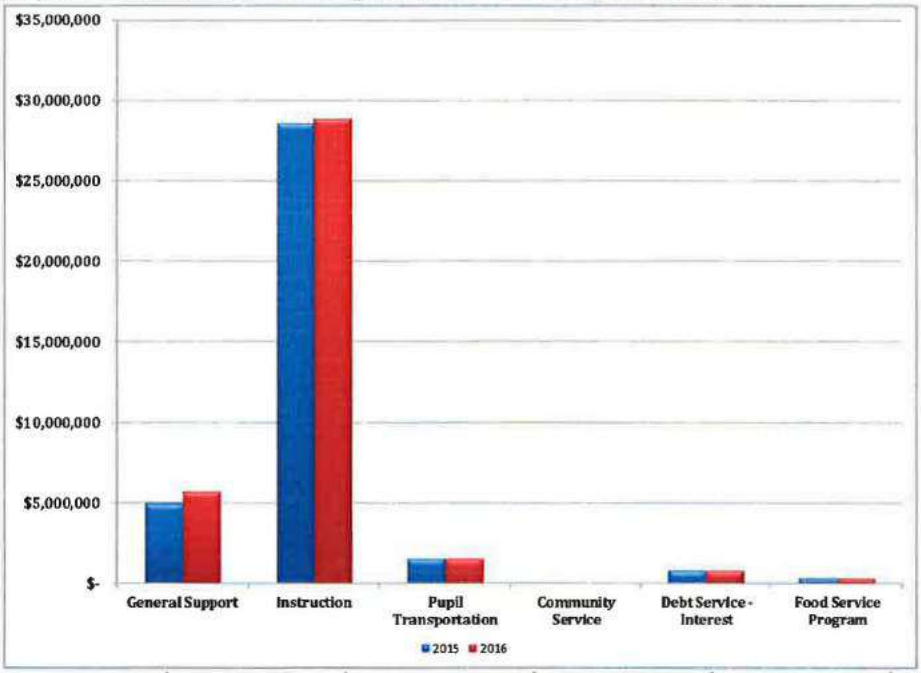
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.4% and 88.5% of the total for the years 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 77.3% and 78.6% of the total for the years 2016 and 2015, respectively).

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2015	2.1%	2.0%	88.5%	6.4%	1.0%
2016	1.8%	1.9%	89.4%	6.3%	0.6%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2015	13.7%	78.6%	4.4%	0.2%	2.3%	0.8%
2016	15.4%	77.3%	4.2%	0.0%	2.3%	0.8%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of $10,196,261, which is an increase of $584,355 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	$ 708,611	$ 507,287	$ 201,324
Unemployment insurance	593,281	591,738	1,543
Retirement contribution	3,829,606	2,839,168	990,438
Employee benefit accrued liability	2,056,574	2,051,222	5,352
Assigned:			
Appropriated fund balance	1,000,000	1,630,872	(630,872)
Unappropriated fund balance	42,539	54,419	(11,880)
Unassigned: Fund balance	1,613,357	1,610,066	3,291
	9,843,968	9,284,772	559,196
School Lunch Fund			
Nonspendable: Inventory	3,012	4,981	(1,969)
Assigned: Unappropriated fund balance	130,179	106,040	24,139
	133,191	111,021	22,170
Capital Projects Fund			
Assigned: Unappropriated fund balance	219,102	216,113	2,989
Total Fund Balance	$ 10,196,261	$ 9,611,906	$ 584,355

A. General Fund

The net change in the general fund – fund balance is an increase of $559,196 compared to an increase of $547,622 in 2015. This resulted from revenues and other sources in excess of expenditures and other uses. Revenues and other financing sources increased $423,339 (1.09%) over 2015 primarily in property taxes and STAR. Expenditures and other financing uses increased $411,765 (1.07%). Instructional costs and operating transfers out increased $181,849 and $621,404, respectively. Debt service also increased $183,125 as the District made an additional payment to pay off the outstanding balance on the energy performance contract. Employee benefits decreased $511,088, primarily due to a decrease in the District's contribution to the Teachers' Retirement System as a result of a reduction in the contribution rate.

B. School Lunch Fund

The net change in the school lunch fund – fund balance is an increase of $22,170, which was the operating profit of the school lunch fund.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $2,989. The District transferred $915,563 into the capital projects fund for various projects, mainly the purchase of computer equipment. Expenditures of $912,574 were less than the amount transferred in, resulting in the increase.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2015-16 Budget

The District's general fund voter-approved budget for the year ended June 30, 2016 was $40,284,062. This amount was increased by encumbrances carried forward from the prior year in the amount of $54,419 and board approved budget revisions to pay down debt with excess fund balance in the amount of $640,872 and use of reserves for $148,064, for a total final budget of $41,127,417.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $35,962,562 in property taxes and STAR.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations such as appropriations to fund the subsequent year's budget and encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 1,610,066
Revenues Over Budget	74,994
Expenditures and Encumbrances Under Budget	2,275,018
Allocation to Reserves	(1,331,094)
Interest Earned on Restricted Reserves	(15,627)
Appropriated to Fund the June 30, 2017 Budget	(1,000,000)
Closing, Unassigned Fund Balance	$ 1,613,357

Opening, Unassigned Fund Balance

The $1,610,066 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was 4% of the District's 2015-16 approved operating budget of $40,284,062. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2015-16 final budget for revenues was $39,294,062. Actual revenues received for the year were $39,369,056. The excess of actual revenue over estimated or budgeted revenue was $74,994, which is primarily due to the District receiving $185,958 more in charges for services and $95,129 in operating transfers in revenue than anticipated. This was offset by the District receiving $137,447 less in state sources and $41,360 less in Medicaid revenue than anticipated.

Expenditures and Encumbrances Under Budget

The 2015-16 final budget for expenditures was $41,127,417. Actual expenditures as of June 30, 2016 were $38,809,860 and outstanding encumbrances were $42,539. Combined, the expenditures plus encumbrances for 2015-16 were $38,852,399. The final budget was under expended by $2,275,018. This under expenditure is principally within the teaching regular school, programs for students with disabilities, employee benefits and central services areas of the budget.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total 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 fund balance by the amount of the transfers.

The $(1,331,094) shown in the above table is made up of two transfers; $281,092 to the workers' compensations reserve; and a $1,050,002 transfer to the retirement contribution reserve.

Interest Earned in Restricted Reserves

Interest earned on a general fund reserve increase the reserve and, therefore decrease the unassigned portion of the general fund-fund balance.

The $(15,627) shown in the table above represents interest earned on restricted reserves. The reserves earned interest as follows:

Workers' compensation	$	1,323
Unemployment insurance		1,544
Retirement contribution		7,408
Employee benefit accrued liability		5,352
	$	15,627

Appropriated Fund Balance

The District has chosen to use $1,000,000 of the available June 30, 2016 unassigned fund balance to partially fund the 2016-17 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was $1,613,357. This amount equals 4% of the 2016-17 budget and is equal to the statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of $1,470,843 in excess of capital additions of $295,430 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)
Land	$ 18,000	$ 18,000	$ -
Buildings and improvements	33,809,899	34,859,666	(1,049,767)
Site improvements	1,099,824	1,072,055	27,769
Furniture and equipment	1,394,088	1,547,503	(153,415)
Capital assets, net	$ 36,321,811	$ 37,497,224	$ (1,175,413)

B. Debt Administration

At June 30, 2016, the District had total bonds payable (par value) of $18,320,000. The bonds were issued for district-wide projects. The net decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2016. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
7/15/2006	4.25-5.00%	$ 700,000	$ 1,400,000	$ (700,000)
7/15/2008	3.75-4.00%	700,000	1,050,000	(350,000)
6/26/2014	2.625-3.125%	870,000	925,000	(55,000)
4/30/2015	2.00-5.00%	14,505,000	14,700,000	(195,000)
4/30/2015	2.00-5.00%	1,545,000	2,465,000	(920,000)
		$ 18,320,000	$ 20,540,000	$ (2,220,000)

The District's latest credit rating from Standard & Poors is AA. The District's outstanding serial bonds at June 30, 2016 are approximately 4.33% of the District's debt limit.

Included, in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, and net other postemployment benefits obligation. The compensated absences liability of $1,747,835 is based on employment contracts. The workers' compensation liability, in the amount of $382,175, is based on an actuarial study in accordance with GASB Statement No. 10. The net other postemployment benefits obligation is based on an actuarially determined amount in accordance with GASB Statement No. 45 in the amount of $21,506,883.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters of the District on May 17, 2016, for the year ending June 30, 2017, is $40,333,921. This is an increase of $49,859 over the previous year's budget. Increases in the instructional areas of the budget were offset by decreases in the debt service area of the budget.

The District budgeted revenues other than property taxes at a $101,162 decrease from the prior year's estimate. The assigned, appropriated fund balance applied to the June 30, 2017 budget (excluding the additional appropriation to pay down debt) increased over the prior year by $10,000. A property tax increase of 0.39% (levy to levy) was needed to balance total revenues to total expenditures.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

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 of 0.39% was less than the tax cap of 0.464% and did not require an override vote.

D. Property Tax Freeze Credit and Property Tax Relief Credit

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 limit. 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 taxpayer's income.

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

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Michael Engelhardt
Business Manager
Mattituck-Cutchogue Union Free School District
385 Depot Lane
Cutchogue, NY 11935

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

ASSETS	
Cash	
Unrestricted	$ 3,497,895
Restricted	7,188,072
Receivables	
Taxes receivable	1,949,421
Due from fiduciary funds	59,692
Due from state and federal	179,137
Due from other governments	268,418
Inventories	3,012
Other assets	483,452
Capital assets not being depreciated	18,000
Capital assets being depreciated, net of accumulated depreciation	36,303,811
Net pension asset - proportionate share	11,162,565
Total Assets	61,113,475
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges from advance refunding, net	895,544
Pensions	3,680,169
Total Deferred Outflows of Resources	4,575,713
LIABILITIES	
Payables	
Accounts payable	170,092
Accrued liabilities	362,846
Due to other governments	384,561
Due to teachers' retirement system	2,221,004
Due to employees' retirement system	131,233
Unearned credits	
Collections in advance	17,567
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	2,201,166
Compensated absences payable	150,581
Due and payable after one year	
Bonds payable, net	18,072,730
Workers' compensation liabilities	382,175
Compensated absences payable	1,597,254
Net other postemployment benefits obligation	21,506,883
Net pension liability - proportionate share	1,484,524
Total Liabilities	48,682,616
DEFERRED INFLOWS OF RESOURCES	
Pensions	4,014,420
NET POSITION	
Net investment in capital assets	18,001,811
Restricted	
Workers' compensation	708,611
Unemployment insurance	593,281
Retirement contribution	3,829,606
Employee benefit accrued liability	2,056,574
	7,188,072
Unrestricted (deficit)	(12,197,731)
Total Net Position	$ 12,992,152

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	$ 5,741,493	$	$	$ (5,741,493)
Instruction	28,917,666	536,958	633,414	(27,747,294)
Pupil transportation	1,567,599			(1,567,599)
Debt service - interest	840,791			(840,791)
Food service program	290,029	180,159	132,040	22,170
Total Functions and Programs	$ 37,357,578	$ 717,117	$ 765,454	(35,875,007)
GENERAL REVENUES				
Real property taxes				34,123,899
Other tax items				1,846,782
Use of money and property				102,608
Miscellaneous				99,987
State sources				2,553,353
Medicaid reimbursement				10,340
Total General Revenues				38,736,969
Change in Net Position				2,861,962
Total Net Position - Beginning of year				10,130,190
Total Net Position - End of year				$ 12,992,152

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	$ 2,529,856	$ 89,389	$ 8,913	$ 869,737	$ 3,497,895
Restricted	7,188,072				7,188,072
Receivables					
Taxes receivable	1,949,421				1,949,421
Due from other funds	802,913		119,290		922,203
Due from state and federal	107,898	63,433	7,806		179,137
Due from other governments	268,418				268,418
Inventories			3,012		3,012
Total Assets	$ 12,846,578	$ 152,822	$ 139,021	$ 869,737	$ 14,008,158
LIABILITIES					
Payables					
Accounts payable	$ 121,851	$	$	$ 48,241	$ 170,092
Accrued liabilities	24,929				24,929
Due to other funds	119,290	140,827		602,394	862,511
Due to other governments	384,303		258		384,561
Due to teachers' retirement system	2,221,004				2,221,004
Due to employees' retirement system	131,233				131,233
Unearned credits					
Collections in advance		11,995	5,572		17,567
Total Liabilities	3,002,610	152,822	5,830	650,635	3,811,897
FUND BALANCES					
Nonspendable: Inventories			3,012		3,012
Restricted:					
Workers' compensation	708,611				708,611
Unemployment insurance	593,281				593,281
Retirement contribution	3,829,606				3,829,606
Employee benefit accrued liability	2,056,574				2,056,574
Assigned:					
Appropriated fund balance	1,000,000				1,000,000
Unappropriated fund balance	42,539		130,179	219,102	391,820
Unassigned: Fund balance	1,613,357				1,613,357
Total Fund Balances	9,843,968	-	133,191	219,102	10,196,261
Total Liabilities and Fund Balances	$ 12,846,578	$ 152,822	$ 139,021	$ 869,737	$ 14,008,158

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Governmental Fund Balances		$ 10,196,261
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Cash held by a third-party administrator is treated as a long-term asset and is included in net position.		483,452
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 includes 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	$ 62,044,931	
Accumulated depreciation	(25,723,120)	
		36,321,811
Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		
Deferred charges on advance refunding	1,159,214	
Less: accumulated amortization	(263,670)	
		895,544
Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	11,162,565	
Deferred outflows of resources	3,680,169	
Net pension liability - employees' retirement system	(1,484,524)	
Deferred inflows of resources	(4,014,420)	
		9,343,790
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Accrued interest on bonds payable	(337,917)	
Bonds payable, net	(20,273,896)	
Workers' compensation liabilities	(382,175)	
Compensated absences payable	(1,747,835)	
Net other postemployment benefits obligation	(21,506,883)	
		(44,248,706)
Total Net Position		$ 12,992,152

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	$ 34,123,899	$	$	$	$ 34,123,899
Other tax items	1,846,782				1,846,782
Charges for services	536,958				536,958
Use of money and property	102,608				102,608
Miscellaneous	99,987				99,987
State sources	2,553,353	282,730	4,593		2,840,676
Medicaid reimbursement	10,340				10,340
Federal sources		350,684	98,098		448,782
Surplus food			29,349		29,349
Sales - school lunch			180,159		180,159
Total Revenues	39,273,927	633,414	312,199	-	40,219,540
EXPENDITURES					
General support	3,761,539				3,761,539
Instruction	19,441,784	568,918			20,010,702
Pupil transportation	1,449,491				1,449,491
Employee benefits	9,434,724				9,434,724
Debt service					
Principal	2,955,831				2,955,831
Interest	820,295				820,295
Cost of sales			290,029		290,029
Capital outlay				912,574	912,574
Total Expenditures	37,863,664	568,918	290,029	912,574	39,635,185
Excess (Deficiency) of Revenues Over Expenditures	1,410,263	64,496	22,170	(912,574)	584,355
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	95,129	30,633		915,563	1,041,325
Operating transfers (out)	(946,196)	(95,129)			(1,041,325)
Total Other Financing Sources and (Uses)	(851,067)	(64,496)	-	915,563	-
Net Change in Fund Balances	559,196	-	22,170	2,989	584,355
Fund Balances - Beginning of year	9,284,772	-	111,021	216,113	9,611,906
Fund Balances - End of year	$ 9,843,968	$ -	$ 133,191	$ 219,102	$ 10,196,261

See Notes to Financial Statements

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2016

Net Change in Fund Balances		$ 584,355
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are held by a third-party administrator. This is the amount by which other assets increased in the current period.	$ 72,278	
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in an increase to the long-term asset or a reduction of the long-term liability and an increase in the net position.		
Decrease in compensated absences payable	62,153	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in workers' compensation liabilities	(101,996)	
Increase in net other postemployment benefits obligation	(2,307,568)	
		(2,275,133)
Capital Related Differences		
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 expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	295,430	
Depreciation expense	(1,470,843)	
		(1,175,413)
Long-Term Debt Transaction Differences		
Amortization of bond premiums and deferred charges on advance refunding of bonds do not affect the governmental funds, but are recorded in the Statement of Activities.		
Amortization of bond premiums	282,721	
Amortization of deferred charges	(129,582)	
Repayment of long-term debt 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.		
Repayment of bond principal	2,220,000	
Repayment of energy performance contract payable	735,831	
Interest on long-term debt in the Statement of Activities differs from the amount 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 Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2015 to June 30, 2016.	(173,635)	
		2,935,335
Pension Differences		
The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore is not reported in the governmental funds.		
Teachers' retirement system	2,868,940	
Employees' retirement system	(76,122)	
		2,792,818
Change in Net Position of Governmental Activities		$ 2,861,962

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2016

	Agency	Private Purpose Trusts
ASSETS		
Cash		
Unrestricted	$ 206,121	$
Restricted		108,532
Total Assets	$ 206,121	108,532
LIABILITIES		
Extraclassroom activities	$ 72,266	
Due to governmental funds	59,692	
Other liabilities	74,163	
Total Liabilities	$ 206,121	-
NET POSITION		
Restricted for scholarships		$ 108,532

See Notes to Financial Statements

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2016

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	$ 5,350
DEDUCTIONS	
Scholarships and awards	11,250
Change in Net Position	(5,900)
Net Position - Beginning of year	114,432
Net Position - End of Year	$ 108,532

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mattituck-Cutchogue Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

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 by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the 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 Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the 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 Education Law, Section

§1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements reflect the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account 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 by either governments that provide the funds or outside parties.

School Lunch Fund - is used to account for the activities of the food service program.

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds – are used to account for activities 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. The following are the District's fiduciary funds:

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 and for payroll or employee withholding.

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.

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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, 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 state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, and other postemployment benefits, 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 are reported as other financing sources.

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. Taxes are collected by the Towns of Riverhead and Southold and remitted to the District during the year.

Enforcement

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

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources 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 to Financial Statements.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

J. Other Assets

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

K. Inventories

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. These inventories are accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$ 10,000	20-50 years
Site improvements	10,000	20-50 years
Furniture and equipment	500	5-20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from refunding of bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the old debt or the new debt, whichever is shorter. The second item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources are related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

P. Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements 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 require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

The liability for compensated absences 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, a 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.

Q. Other Benefits

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

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

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts 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.

R. 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 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.

S. Equity Classifications

District-Wide Statements

In the district-wide 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.

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

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. The reserve is accounted for in the general fund.

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 reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Restricted for Scholarships

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

Assigned – Consists of 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, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, or assigned. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

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

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by 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) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Additional principal payments on energy performance contract payable funded by prior year's surplus	$ 640,872
Additional appropriations funded by:	
Retirement contribution reserve	66,972
Workers' compensation reserve	81,092
	$ 788,936

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. 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 part of assigned fund balance, unless classified as restricted and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. 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 by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2016, the District was billed $1,681,160 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $207,486. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2016 consisted of the following:

General Fund	
New York State - excess cost aid	$ 107,898
Special Aid Fund	
Federal and state grants	63,433
School Lunch Fund	
Federal and state food service	7,806
	$ 179,137

7. DUE FROM OTHER GOVERNMENTS

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

General Fund	
BOCES aid	$ 93,191
Tuition other districts	114,300
Services provided for other districts	52,741
Other districts - athletics	8,186
	$ 268,418

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 802,913	$ 119,290	$ 95,129	$ 946,196
Special Aid Fund		140,827	30,633	95,129
School Lunch Fund	119,290			
Capital Projects Fund		602,394	915,563	
Total Governmental Funds	922,203	862,511	1,041,325	1,041,325
Fiduciary Funds		59,692		
Total	$ 922,203	$ 922,203	$ 1,041,325	$ 1,041,325

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities. The transfer from the special aid fund to the general fund represented the receipt of additional state funds for expenditures previously funded by the general fund. The transfer to the capital projects fund is in accordance with the voter approved budget.

9. CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	$ 18,000	$	$	$ 18,000
Total capital assets not being depreciated	18,000	-	-	18,000
Capital assets being depreciated				
Buildings and improvements	53,403,404			53,403,404
Site improvements	2,117,936	104,520		2,222,456
Furniture and equipment	6,378,821	190,910	(168,660)	6,401,071
Total capital assets being depreciated	61,900,161	295,430	(168,660)	62,026,931
Less accumulated depreciation for:				
Buildings and improvements	18,543,738	1,049,767		19,593,505
Site improvements	1,045,881	76,751		1,122,632
Furniture and equipment	4,831,318	344,325	(168,660)	5,006,983
Total accumulated depreciation	24,420,937	1,470,843	(168,660)	25,723,120
Total capital assets, being depreciated, net	37,479,224	(1,175,413)	-	36,303,811
Capital assets, net	$ 37,497,224	$ (1,175,413)	$ -	$ 36,321,811

Depreciation expense was charged to governmental functions as follows:

General support	$ 161,616
Instruction	1,285,266
Pupil transportation	23,961
Total depreciation expense	$ 1,470,843

10. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2015	Issued	Redeemed	Balance June 30, 2016
TAN	6/27/2016	1.50%	$	$ 9,400,000	$ (9,400,000)	$

Interest on short-term debt for the year was $113,583. The District received a premium of $86,574, which is included in miscellaneous revenue in the general fund.

11. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 20,540,000	$	$ (2,220,000)	$ 18,320,000	$ 1,935,000
Add: Premium on refunding	2,236,617		(282,721)	1,953,896	266,166
	22,776,617	-	(2,502,721)	20,273,896	2,201,166
Energy performance	735,831		(735,831)	-	-
Other long-term liabilities:					
Compensated absences	1,809,988		(62,153)	1,747,835	150,581
Workers' compensation	280,179	101,996		382,175	-
	$ 25,602,615	$ 101,996	$ (3,300,705)	$ 22,403,906	$ 2,351,747

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Construction serial bond - non refunding portion	7/15/2006	7/15/2017	4.25-5.00%	$ 700,000
Construction serial bond - non refunding portion	7/15/2008	7/15/2018	3.75-4.00%	700,000
Construction serial bond	6/26/2014	6/15/2029	2.625-3.125%	870,000
Refunding bonds	4/30/2015	7/15/2029	2.00-5.00%	14,505,000
Refunding bonds	4/30/2015	6/15/2018	2.00-5.00%	1,545,000
				$ 18,320,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$ 1,935,000	$ 808,099	$ 2,743,099
2018	1,875,000	717,986	2,592,986
2019	1,360,000	622,536	1,982,536
2020	1,150,000	561,136	1,711,136
2021	1,080,000	506,736	1,586,736
2022-2026	5,700,000	1,724,000	7,424,000
2027-2030	5,220,000	361,310	5,581,310
Total	$ 18,320,000	$ 5,301,803	$ 23,621,803

C. Energy Performance Contract

The District entered into an agreement for an energy performance contract on December 23, 2008 for $1,644,903. The proceeds were used for various capital improvements and are being financed over 15 years at 3.09%. The assets and related obligations are accounted for in the district-wide financial statements and are included in the summary of capital assets.

The 2015-16 budget included $101,709 and $21,958 in principal and interest, respectively, for the energy performance contract. The Board authorized an increase in the appropriated fund balance of $640,872, which represents $634,122 in principal and $6,749 in interest to satisfy the balance on the contract.

D. Refunding Bonds

In the prior year, the District defeased certain general obligations 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. The outstanding principal balance of the defeased bonds is $15,800,000 at June 30, 2016 and the bonds are callable on July 15, 2016.

The District is amortizing deferred charges on the advance refunding and a refunding bond premium as a component of interest expense. The bond premium balance is netted against the bonds payable and amortization is calculated on a weighted average basis over the respective bond term, as applicable. The future net amortization is as follows:

Fiscal Year Ending June 30,	Deferred Premium	Deferred Charge	Interest Expense Increase / (Decrease)
2017	$ 266,166	$ (121,994)	$ 144,172
2018	246,588	(113,021)	133,567
2019	223,011	(102,214)	120,797
2020	202,667	(92,890)	109,777
2021	184,707	(84,658)	100,049
2022-2026	657,158	(301,200)	355,958
2027-2030	173,599	(79,567)	94,032
Total	$ 1,953,896	$ (895,544)	$ 1,058,352

E. Interest Expense

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

Interest paid	$ 706,712
Less interest accrued in the prior year	(164,282)
Plus interest accrued in the current year	337,917
Plus amortization of deferred charges	129,582
Less amortization of deferred bond premium	(282,721)
Total interest expense on long-term debt	$ 727,208

12. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, 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 TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, 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 ERS 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 on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30th, for the current year and two preceding years was:

Year	TRS	ERS
2016	$ 2,135,007	$ 476,522
2015	2,830,302	490,130
2014	2,024,366	529,607

D. Pension Assets, Liabilities, Pension Expense, 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 June 30, 2015, for TRS and March 31, 2016 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	$ 11,162,565	$ (1,484,524)
District's portion of the Plan's total net pension asset/(liability)	0.1074690%	0.0092492%
Change in proportion since the prior measurement date	(0.0007090)	(0.0000255)

For the year ended June 30, 2016, the District recognized pension expense (credit) of $(733,933) for TRS and $552,645 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$	$ 7,502	$ 309,362	$ 175,966
Changes of assumptions		395,878		
Net difference between projected and actual earnings on pension plan investments		880,701	3,528,545	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	37,002	92,846		547
District's contributions subsequent to the measurement date	2,135,007	131,233		
Total	$ 2,172,009	$ 1,508,160	$ 3,837,907	$ 176,513

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

Year Ended	TRS	ERS
2017	$ (1,418,816)	$ 305,698
2018	(1,418,816)	305,698
2019	(1,418,816)	305,698
2020	591,197	283,320
2021	(34,177)	
Thereafter	(101,477)	
	$ (3,800,905)	$ 1,200,414

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

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

For TRS, 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. 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.

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

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015, was 7.5%). 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 determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, 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 (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	$ (761,431)	$ 11,162,565	$ 21,331,229

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (3,347,493)	$ (1,484,524)	$ 89,606

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	$ (99,332,104)	$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	$ 10,386,813	$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

Payables to the Pension Plan

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 intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to $2,135,007 of employer contributions and $85,997 of employee contributions.

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to $131,233 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

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 $17,895 and $948,462, respectively.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District effectively provides medical, and Medicare part B reimbursement and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the Empire Plan (for health benefits only). The vision benefits is an add on to the Empire Plan. The add on vision plan is self funded. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District and employees share in the cost of the premiums. The District recognizes its share of the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of $1,727,706 for insurance premiums for 155 currently enrolled retirees. 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 postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 4,335,116
Interest on net OPEB obligation	767,973
Adjustment to ARC	(1,067,815)
Annual OPEB cost (expense)	4,035,274
Contributions made	(1,727,706)
Increase in net OPEB obligation	2,307,568
Net OPEB obligation - beginning of year	19,199,315
Net OPEB obligation - end of year	$ 21,506,883

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 4,035,274	42.8%	$ 21,506,883
June 30, 2015	4,071,830	42.5%	19,199,315
June 30, 2014	4,105,319	40.0%	16,858,525

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $49,803,488 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $49,803,488. The covered payroll (annual payroll of active employees covered by the plan) was $17,166,990, and the ratio of the UAAL to the covered payroll was 290.1%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 9 years and a 4% inflation rate. The UAAL is being amortized utilizing the level dollar amortization method.

15. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool - Risk Retained

The District participates in a risk pool, the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool was created under Article 5 of Workers' Compensation Law, to evaluate, process, administer, and pay workers' compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers' compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the District's loss experience. The EEWCC established a non-

discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2016, as processed by the EEWCC, is $382,175. Claims activity is summarized as follows:

	2015	2016
Claims at beginning of year	$ 44,306	$ 280,179
Incurred claims and claim adjustment expenses	(189,081)	(170,173)
Claim payments and expenses	424,954	272,169
Claim liabilities at end of year	$ 280,179	$ 382,175

The EEWCC is holding $483,452 of cash on account for the District to satisfy these liabilities at June 30, 2016. In addition, the District has reserved $708,611 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2016. Copies of these statements can be obtained from the District's Administrative Office.

C. Public Entity Risk Pool – Risk Sharing

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

16. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $1,000,000 has been appropriated to reduce taxes for the year ending June 30, 2017.

17. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 17,891
Instruction	14,648
Operating transfers out	10,000
	$ 42,539

B. Grants

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

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $6,645. The minimum remaining operating lease payment is as follows:

Fiscal Year Ending June 30,	Amount
2016	$ 1,661

18. SUBSEQUENT

The District has evaluated subsequent events through September 30, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

Issuance of TANs

On August 26, 2016, the District issued a tax anticipation note in the amount of $9,200,000, which is due on June 28, 2017 and bears interest at a rate of 2.0%. The District received a premium of $97,428 with the borrowing to yield an effective interest rate of 0.7376%.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 34,118,327	$ 34,118,327	$ 34,123,899	$ 5,572
Other tax items	1,844,235	1,844,235	1,846,782	2,547
Charges for services	351,000	351,000	536,958	185,958
Use of money and property	108,000	108,000	102,608	(5,392)
Miscellaneous	130,000	130,000	99,987	(30,013)
Total Local Sources	36,551,562	36,551,562	36,710,234	158,672
State Sources	2,690,800	2,690,800	2,553,353	(137,447)
Medicaid Reimbursement	51,700	51,700	10,340	(41,360)
Total Revenues	39,294,062	39,294,062	39,273,927	(20,135)
OTHER FINANCING SOURCES				
Operating transfers in			95,129	95,129
Total Revenues and Other Sources	39,294,062	39,294,062	39,369,056	$ 74,994
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	990,000	1,630,872		
Prior Year's Encumbrances	54,419	54,419		
Appropriated Reserves		148,064		
Total Appropriated Fund Balance	1,044,419	1,833,355		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 40,338,481	$ 41,127,417		

Note to Required Supplementary Information

Budget Basis of Accounting

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 34,552	$ 42,552	$ 39,858	$	$ 2,694
Central administration	261,464	261,464	258,691		2,773
Finance	449,248	460,548	448,652	85	11,811
Staff	80,000	51,000	37,126		13,874
Central services	2,977,229	3,006,229	2,606,227	17,806	382,196
Special items	380,874	380,874	370,985		9,889
Total General Support	4,183,367	4,202,667	3,761,539	17,891	423,237
Instruction					
Administration & improvement	896,301	899,121	871,464		27,657
Teaching - regular school	12,042,226	11,923,602	11,498,856	292	424,454
Programs for students with disabilities	4,683,571	4,694,338	4,177,571	14,297	502,470
Occupational education	494,657	494,657	395,526		99,131
Teaching - special schools	35,341	35,341	31,105		4,236
Instructional media	363,055	364,055	339,276	59	24,720
Pupil services	2,209,297	2,228,102	2,127,986		100,116
Total Instruction	20,724,448	20,639,216	19,441,784	14,648	1,182,784
Pupil Transportation	1,642,361	1,643,061	1,449,491		193,570
Community Service	47,563	62,163	-		62,163
Employee Benefits	9,683,256	9,847,720	9,434,724		412,996
Debt Service					
Principal	2,111,709	2,955,832	2,955,831		1
Interest	1,020,213	820,562	820,295		267
Total Debt Service	3,131,922	3,776,394	3,776,126	-	268
Total Expenditures	39,412,917	40,171,221	37,863,664	32,539	2,275,018
OTHER USES					
Operating transfers out	925,564	956,196	946,196	10,000	-
Total Expenditures and Other Uses	$ 40,338,481	$ 41,127,417	38,809,860	$ 42,539	$ 2,275,018
Net Change in Fund Balance			559,196		
Fund Balance - Beginning of Year			9,284,772		
Fund Balance - End of Year			$ 9,843,968		

Note to Required Supplementary Information

Budget Basis of Accounting

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	$ -	$ 49,803,488	$ 49,803,488	0%	$ 17,166,990	290.1%
July 1, 2012	-	48,878,712	48,878,712	0%	16,054,060	304.5%
July 1, 2010	-	49,225,515	49,225,515	0%	15,766,320	312.2%

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2016

Teachers' Retirement System

	2016	2015
District's proportion of the net pension asset	0.1074690%	0.1081780%
District's proportionate share of the net pension asset	$ 11,162,565	$ 12,050,409
District's covered payroll	$ 16,191,317	$ 16,280,098
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.94 %	74.02 %
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%

Employees' Retirement System

	2016	2015
District's proportion of the net pension liability	0.0092492%	0.0092747%
District's proportionate share of the net pension liability	$ 1,484,524	$ 313,322
District's covered payroll	$ 2,762,139	$ 2,720,270
District's proportionate share of the net pension liability as a percentage of its covered payroll	53.75 %	11.52 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2016

Teachers' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 2,135,007	$ 2,830,302	$ 2,024,366	$ 1,954,480	$ 1,754,763	$ 1,315,222	$ 949,613	$ 1,096,553	$ 1,121,105	$ 1,107,499
Contributions in relation to the contractually required contribution	2,135,007	2,830,302	2,024,366	1,954,480	1,754,763	1,315,222	949,613	1,096,553	1,121,105	1,107,499
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$16,294,039	$16,191,317	$16,280,098	$16,510,159	$16,103,636	$15,651,989	$15,280,536	$14,973,973	$13,952,119	$13,262,386
Contributions as a percentage of covered payroll	13%	17%	12%	12%	11%	8%	6%	7%	8%	8%

Employees' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 476,522	$ 490,130	$ 529,607	$ 471,767	$ 434,023	$ 289,113	$ 250,555	$ 181,741	$ 216,494	$ 227,393
Contributions in relation to the contractually required contribution	476,522	490,130	529,607	471,767	434,023	289,113	250,555	181,741	216,494	227,393
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 2,809,765	$ 2,756,231	$ 2,693,749	$ 2,660,459	$ 2,628,091	$ 2,578,797	$ 2,536,835	$ 2,592,946	$ 2,159,390	$ 2,189,626
Contributions as a percentage of covered payroll	17%	18%	20%	18%	17%	11%	10%	7%	10%	10%

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2016

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		$ 40,284,062
Additions:		
Prior year's encumbrances		54,419
Original Budget		40,338,481
Budget revision		788,936
Final Budget		$ 41,127,417

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget		$ 40,333,921
Maximum allowed (4% of 2016-17 budget)		$ 1,613,357
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 1,042,539	
Unassigned fund balance	1,613,357	
		$ 2,655,896
Less:		
Appropriated fund balance	1,000,000	
Encumbrances	42,539	
Total adjustments		1,042,539
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 1,613,357
Actual Percentage		4.00%

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2016

PROJECT TITLE	Budget June 30, 2015	Budget June 30, 2016	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance	Methods of Financing Proceeds of Obligations	Methods of Financing State Aid	Methods of Financing Local Sources	Methods of Financing Total	Fund Balance June 30, 2016
Stage Lighting	$ 67,565	$ 67,565	$ 59,313	$	$ 59,313	$ 8,252	$	$	$ 67,565	$ 67,565	$ 8,252
Computer Equipment	2,090,448	2,643,442	1,946,992	528,104	2,475,096	168,346			2,643,442	2,643,442	168,346
Elementary Building Needs	286,867	286,867	286,867		286,867	-			286,867	286,867	-
Building Condition Survey	42,300	42,300	21,150	15,607	36,757	5,543			42,300	42,300	5,543
Playground Cutchogue East	99,520	99,520	98,226		98,226	1,294			99,520	99,520	1,294
HS Building Renovation	948,296	1,310,865	924,805	368,863	1,293,668	17,197			1,310,865	1,310,865	17,197
Cutchogue West Renovation	23,645	23,645	23,645		23,645	-			23,645	23,645	-
Laurel Roof	26,080	26,080	25,689		25,689	391			26,080	26,080	391
HS Tennis Courts	21,500	21,500	21,500		21,500	-			21,500	21,500	-
JHS Skylights	22,900	22,900	4,821		4,821	18,079			22,900	22,900	18,079
All Weather Track	925,000	925,000	925,000		925,000	-	925,000			925,000	-
Totals	$ 4,554,121	$ 5,469,684	$ 4,338,008	$ 912,574	$ 5,250,582	$ 219,102	$ 925,000	$ -	$ 4,544,684	$ 5,469,684	$ 219,102

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2016

Capital assets, net	$ 36,321,811
Deduct:	
Short-term portion of bonds payable	(1,935,000)
Long-term portion of bonds payable	(16,385,000)
	(18,320,000)
Net investment in capital assets	$ 18,001,811

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, 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
Mattituck-Cutchogue Union Free School District
Cutchogue, New York

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mattituck-Cutchogue 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 Mattituck-Cutchogue Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mattituck-Cutchogue 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mattituck-Cutchogue 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.*

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Mattituck-Cutchogue Union Free School District in a separate letter dated September 30, 2016.

Purpose of this Report

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

Cullen & Danowski, LLP

September 30, 2016