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

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 10, 2018

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the District, under existing statues, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$34,000,000* TAX ANTICIPATION NOTES FOR 2018 – 2019 TAXES
(the "Notes")

Date of Issue: September 27, 2018 **Maturity Date: June 25, 2019**

The Notes are general obligations of the Patchogue-Medford Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See *"The Tax Levy Limit Law"* herein).

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

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

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

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

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 19, 2018 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 27, 2018.

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

*Preliminary, subject to change.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

241 South Ocean Avenue
Patchogue, New York 11772
Telephone: (631) 687-6300

BOARD OF EDUCATION

Anthony C. O'Brien, President
Kelli Anne Jennings, First Vice President
Teresa Baldinucci-Greenberg, Second Vice President

Diana Andrade
Thomas P. Donofrio
Marc A. Negrin
Bernadette M. Smith

Superintendent of Schools
Michael J. Hynes, Ed.D.

Deputy Superintendent of Schools
Donna Jones

District Clerk
Dennis M. Logan

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

Municipal Finance Advisory Service

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

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

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

TABLE OF CONTENTS

Page

THE NOTES **1**
- DESCRIPTION 1
- OPTIONAL REDEMPTION 1
- DESCRIPTION OF BOOK-ENTRY SYSTEM 1
- AUTHORIZATION FOR AND PURPOSE OF NOTES 3
- SECURITY AND SOURCE OF PAYMENT 3

REMEDIES UPON DEFAULT **4**

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS **5**

NO PAST DUE DEBT **5**

BANKRUPTCY **6**

THE DISTRICT **6**
- DESCRIPTION 6
- DISTRICT ORGANIZATION 7
- ENROLLMENT HISTORY 7
- PROJECTED FUTURE ENROLLMENT 7
- DISTRICT FACILITIES 7
- EMPLOYEES 8

ECONOMIC AND DEMOGRAPHIC INFORMATION **8**
- POPULATION TRENDS 8
- INCOME DATA 9
- SELECTED LISTING OF LARGER EMPLOYERS IN THE TOWN OF BROOKHAVEN 9
- UNEMPLOYMENT RATE STATISTICS 10

INDEBTEDNESS OF THE DISTRICT **10**
- CONSTITUTIONAL AND STATUTORY REQUIREMENTS 10
- STATUTORY PROCEDURE 11
- COMPUTATION OF DEBT LIMIT AND DEBT CONTRACTING MARGIN 11
- DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING 12
- TREND OF OUTSTANDING INDEBTEDNESS 12
- DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS 12
- DEBT SERVICE REQUIREMENT - ENERGY PERFORMANCE CONTRACT LEASE 13
- TAX ANTICIPATION NOTES 13
- AUTHORIZED AND UNISSUED DEBT 13
- CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS 14
- DEBT RATIOS 14

FINANCES OF THE DISTRICT **14**
- INDEPENDENT AUDIT 14
- INVESTMENT POLICY 14

TABLE OF CONTENTS - CONTINUED

Page

FUND STRUCTURE AND ACCOUNTS 15
BASIS OF ACCOUNTING 15
BUDGET PROCESS 15
REVENUES 15
Real Property Taxes 15
State Aid 16
RECENT EVENTS AFFECTING STATE AID TO NEW YORK SCHOOL DISTRICTS 18
EXPENDITURES 19
THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS 19
EMPLOYEE PENSION SYSTEM 19
OTHER POST-EMPLOYMENT BENEFITS 20

TAX INFORMATION 22
REAL PROPERTY TAXES 22
TAX COLLECTION PROCEDURE 22
THE TAX LEVY LIMIT LAW 22
STAR - SCHOOL TAX EXEMPTION 23
VALUATIONS, RATES, LEVIES AND COLLECTIONS 24
SELECTED LISTING OF LARGE TAXABLE PROPERTIES IN THE DISTRICT 25
TAX CERTIORARI CLAIMS 25

LITIGATION 25

DISCLOSURE UNDERTAKING 25
DISCLOSURE COMPLIANCE HISTORY 26

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE 26

CYBERSECURITY 27

TAX MATTERS 27
OPINION OF BOND COUNSEL 27
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND CERTIFICATIONS 28
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES 28
ORIGINAL ISSUE DISCOUNT 28
NOTE PREMIUM 28
INFORMATION REPORTING AND BACKUP WITHHOLDING 29
MISCELLANEOUS 29

LEGAL MATTERS 29

RATING 29

MUNICIPAL ADVISOR 30

ADDITIONAL INFORMATION 30

APPENDIX A: FINANCIAL INFORMATION
APPENDIX B: CASH FLOW SUMMARIES
APPENDIX C: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017
APPENDIX D: FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
APPENDIX E: FORM OF EVENTS NOTICE UNDERTAKING

OFFICIAL STATEMENT

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

Relating To

$34,000,000* TAX ANTICIPATION NOTES FOR 2018 – 2019 TAXES

(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Patchogue-Medford Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $34,000,000* Tax Anticipation Notes for 2018 - 2019 Taxes (the "Notes").

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

THE NOTES

Description

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

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Donna Jones, Deputy Superintendent of Schools, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, Phone (631) 687-6300 and email: DJones@pmschools.org.

Optional Redemption

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

Description of Book-entry System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and such 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

*Preliminary, subject to change.

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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2018-2019 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2018-2019 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2018-2019 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

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

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

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

REMEDIES UPON DEFAULT

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

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

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

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

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

service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes (including the Notes), revenue anticipation notes or bond anticipation notes.

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

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

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

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

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

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

NO PAST DUE DEBT

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

BANKRUPTCY

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

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

THE DISTRICT

Description

The District with an estimated population of 52,967, is located in the southwestern section of the Town of Brookhaven (the "Town") and includes all of the incorporated Village of Patchogue (the "Village") and the unincorporated areas of Medford and a portion of East Patchogue. The Village and the territory immediately surrounding the Village is generally residential with some commercial and industrial activity.

The Village has an extensive shopping district along Main Street. The recently renovated Patchogue Theater for the Performing Arts has led a renaissance in the development of "downtown" eateries, shops, and entertainment venues.

St. Joseph's College's 27 acre Long Island campus is located within the boundaries of the District.

The District fronts the Great South Bay, a boating and fishing area, and recreational facilities are available to the residents of the area. A number of Town parks are located in the area as well. The U.S. Department of the Interior, National Park Service Headquarters (the "Headquarters") for the Fire Island National Seashore is located in the District with a ferry terminal, parking and other facilities on the Patchogue River. The Headquarters provides ferry service across Great South Bay to various points located within the National Seashore Area, including Watch Hill and Sunken Forest.

There has been commercial building in the area in recent years. Along New York Route 27 (Sunrise Highway) are the Sun Wave Shopping Center and the Home Depot Warehouse, as well as various other commercial enterprises. Commercial expansion has also taken place along Route 112.

The Town owns and leases to the U.S. Department of Treasury a five-building complex, adjoining the District, which houses the Internal Revenue Service Data Processing Center. The facility was completed in 1972 and provides employment for 3,000 to 4,000 people, some on a part-time basis. The seat of government of the Town is also located in the District and provides full-time employment to approximately 850 persons.

The Long Island Rail Road (MTA) (Montauk Division) serves the area providing rail transportation to the New York metropolitan area. The Long Island Expressway, New York Routes 27 and 27A traverse the District and provides highway access to eastern Long Island and the New York metropolitan area. Major north-south roads include Route 112, North Ocean Avenue and Patchogue-Holbrook Road. Long Island MacArthur Airport is located approximately 10 miles west of the District.

Police protection is provided by the Suffolk County Police Department. The Village provides fire protections for residents within its borders. The Village also maintains a sewer system. In the unincorporated areas, volunteer fire departments operating through fire districts provide fire protection. Electricity, gas and telephone services are provided by private utility companies.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and Vice President, and appoints a District Clerk and District Treasurer.

Enrollment History

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

School Year	School Enrollment
2014	7,945
2015	7,959
2016	7,655
2017	7,646
2018	7,540

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2019	7,400
2020	7,400

Source: District Officials.

District Facilities

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

Name of School	Grades	Capacity
Senior High School	9-12	3,100
Saxton St. Middle School	6-8	1,622
Oregon Ave. Middle School	6-8	1,026
So. Ocean Ave. Middle School	6-8	1,319
Bay Avenue	K-5	593
Medford Avenue	K-5	800
River Avenue	K-5	600
Barton Avenue	K-5	950
Tremont Avenue	K-5	912
Canaan School	K-5	809
Eagle Drive	K-5	1,146

Employees

The District provides services through approximately 1,375 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract[a]	Approx. No. of Members
Patchogue-Medford Congress of Teachers	06/30/2021	617
Civil Service Employees Association (Full Time)	06/30/2018	92
Civil Service Employees Association-Operations Staff	06/30/2018	114
Civil Service Employees Association (Part Time)	06/30/2018	485
Patchogue-Medford Administrators Association	06/30/2021	32
Patchogue-Medford Registered Nurses Association	06/30/2019	14
Teaching Assistants	N/A	21

a. All contracts that are expired as of June 30, 2018 are currently in negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Town of Brookhaven and the County.

Year	Town of Brookhaven	Suffolk County
2006	485,295	1,495,697
2008	483,748	1,508,602
2009	487,169	1,511,028
2010	480,105	1,482,548
2016	488,123	1,498,130

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2016[a]
Town of Brookhaven	$16,726	$24,191	$33,324	$36,011
Suffolk County	18,481	26,577	35,755	38,779
New York State	16,501	23,389	30,948	34,212

	Median Household Income			
	1990	2000	2010	2016[a]
Town of Brookhaven	$46,339	$62,475	$81,937	$87,728
Suffolk County	49,128	65,288	84,506	90,128
New York State	32,965	43,393	55,603	60,741

Source: United States Bureau of the Census

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

Selected Listing of Larger Employers in the Town of Brookhaven
(As of 2018)

Name	Type of Business	Estimated Number of Employees
State University at Stony Brook	Education	14,500
Stony Brook University Medical Center	Medial Center	6,500
Brookhaven National Laboratory	Laboratory	2,790
John T. Mather Hospital	Hospital	2,500
Sachem Central School District	Education	2,275
Brookhaven Memorial Hospital	Hospital	2,210
Three Village Central School District	Education	1,500
William Floyd Union Free School District	Education	1,285
St. Charles Hospital	Hospital	1,775
Quality King Distributors	Commercial	900
Nursing Care at Medford	Nursing Home	580

Source: Town Officials.

Unemployment Rate Statistics

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

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2013	6.5	6.5	7.7
2014	5.3	5.3	6.4
2015	5.5	4.8	5.3
2016	4.4	4.3	4.8
2017	4.5	4.5	4.7
2018 (4 Month Average)	4.4	4.9	4.9

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

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

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

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

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

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

Statutory Procedure

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

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

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

Computation of Debt Limit and Debt Contracting Margin
(As of September 10, 2018)

In Town of:	Assessed Valuation	State Equalization Rate	Full Valuation
Brookhaven (2017-2018)[a]	$43,127,516	0.90%	$4,791,946,222
Debt Limit - 10% of Full Valuation			$479,194,622
Inclusions:[b]			
Outstanding Bonds			$80,740,000
Bond Anticipation Notes			0
Total Indebtedness			80,740,000
Exclusions (Estimated Building Aid) [c]			39,562,600
Total Net Indebtedness Before the Issuance of the Bonds			41,177,400
Net Debt Contracting Margin			$438,017,222
Per Cent of Debt Contracting Margin Exhausted			8.59%

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

Details of Short-Term Indebtedness Outstanding

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

Trend of Outstanding Indebtedness
As at June 30:

	2014	2015	2016	2017	2018
Bonds	$ 111,955,000	$ 105,240,000	$ 98,050,000	$ 90,405,000	$ 83,240,000
BANs	-	-	-	-	-
Other	-	10,602,531	10,136,693	9,523,523	8,894,864
Total	$ 111,955,000	$ 115,842,531	$ 108,186,693	$ 99,928,523	$ 92,134,864

Source: Audited Financial Statements of the District.

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$7,460,000	$2,903,413	$10,363,413
2020	7,790,000	2,596,388	10,386,388
2021	8,160,000	2,252,913	10,412,913
2022	8,115,000	1,878,338	9,993,338
2023	8,490,000	1,539,231	10,029,231
2024	8,845,000	1,225,641	10,070,641
2025	9,175,000	926,544	10,101,544
2026	9,500,000	646,238	10,146,238
2027	9,340,000	359,081	9,699,081
2028	6,365,000	105,584	6,470,584
	$83,240,000	$14,433,369	$97,673,369

a. Does not include payments made to date.
Source: Audited Financial Statements of the District.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Debt Service Requirement - Energy Performance Contract Lease

The District entered into a lease purchase financing in 2014 to provide funding for its Energy Performance Contract. The remaining principal and interest payments until maturity are set forth below.

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$644,207	$218,155	$862,361
2020	660,398	201,963	862,361
2021	676,997	185,365	862,361
2022	694,012	168,349	862,361
2023	711,455	150,906	862,361
2024	729,337	133,024	862,361
2025	747,668	114,693	862,361
2026	766,460	95,901	862,361
2027	785,724	76,637	862,361
2028	805,473	56,888	862,361
2029	825,717	36,644	862,361
2030	846,471	15,890	862,361
	$8,893,920	$1,454,414	$10,348,334

Source: Audited Financial Statements

Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2014	$28,000,000	TAN	10/01/2013	06/20/2014
2015	29,000,000	TAN	09/29/2014	06/26/2015
2016	30,000,000	TAN	10/07/2015	06/24/2016
2017	30,000,000	TAN	09/22/2016	06/23/2017
2018	32,500,000	TAN	09/28/2017	06/22/2018

Source: Audited Financial Statements of the District.

Authorized and Unissued Debt

The District has no authorized but 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	03/21/2018	1.80	$ 43,398,429	$22,859,541
Town of Brookhaven	06/20/2018	9.60	54,870,950	51,737,990
Village of Patchogue	11/15/2017	100.00	8,840,000	8,670,000
Medford Fire District	12/31/2016	100.00	1,834,055	1,834,055
North Patchogue Fire Districts	12/31/2016	90.00	829,139	829,139
Totals			$109,772,573	$85,930,725

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 September 10, 2018)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$80,740,000	$1,524	1.685
Net Direct Debt	41,177,400	777	0.859
Total Direct & Applicable Total Overlapping Debt	190,512,573	3,597	3.976
Net Direct & Applicable Net Overlapping Debt	127,108,125	2,400	2.653

a. The current population of the District is 52,967.

b. The full valuation of taxable property is $4,791,946,222.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2017. A copy of such report is included herein as Appendix C.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

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

Revenues

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

Real Property Taxes

See *"Tax Information"* herein.

State Aid

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

The following table sets forth the amounts of the District's General Fund revenue comprised of State aid for each of the fiscal years 2013 through 2017, inclusive and the amounts budgeted for the 2018 and 2019 fiscal years.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2013	$158,251,058	$56,500,660	35.70
2014	163,702,800	59,766,556	36.51
2015	166,107,343	61,993,402	37.32
2016	170,925,550	63,905,737	37.39
2017	177,753,666	68,318,802	38.43
2018 (Budgeted)	183,951,068	70,978,294	38.59
2019 (Budgeted)	190,467,316	73,851,274	38.77

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

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

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

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

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

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

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

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

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

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

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

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

Recent Events Affecting State Aid to New York School Districts

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

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

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

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

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

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

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

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

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $6,047,604.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

Expenditures

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

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

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

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

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 13.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on August 26, 2016. The purpose of the audit was to determine if leave accruals records were accurate for the period July 1, 2014 through April 30, 2016. The complete report may be found on the State Comptroller's official website. References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

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

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

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

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

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

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

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

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

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

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and budgeted for the 2018 and 2019 fiscal years.

Fiscal Year Ending June 30:	TRS	ERS
2013	$7,657,645	$1,605,109
2014	10,341,609	2,813,250
2015	11,303,793	3,308,634
2016	8,666,777	2,071,934
2017	7,812,724	2,134,840
2018 (Budgeted)	7,522,697	2,046,665
2019 (Budgeted)	7,686,131	1,954,783

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 2017, 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 Ended June 30, 2017:
Annual required contribution (ARC)	$13,938,191
Interest on net OPEB obligation	1,934,083
Less: Adjustments to ARC	(1,448,805)
Annual OPEB cost (expense)	14,423,469
Less: Contributions made	(9,585,384)
Increase in net OPEB obligation	4,838,085
Net OPEB obligation-beginning of year	38,681,650
Net OPEB obligation-end of year	$43,519,735

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2017	$14,423,469	70	$43,519,735
June 30, 2016	13,115,473	69	38,681,650
June 30, 2015	12,658,944	66	34,656,340

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

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

TAX INFORMATION

Real Property Taxes

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

The following table sets forth the amount of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2013 through 2017, inclusive and for the amounts budgeted for the 2018 and 2019 fiscal years.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes[a]	Real Property Taxes to Revenues (%)
2013	$158,251,058	$ 97,953,032	61.90
2014	163,702,800	100,753,856	61.55
2015	166,107,343	100,359,686	60.42
2016	170,925,550	103,010,741	60.27
2017	177,753,666	105,144,769	59.15
2018 (Budgeted)[b]	183,951,068	108,920,314	59.21
2019 (Budgeted)[b]	190,467,316	112,318,127	58.97

a. Real property taxes include STAR.
b. Budgeted estimates for total revenues include application of reserves.

Tax Collection Procedure

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

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

The Tax Levy Limit Law

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

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

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

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

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

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

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

Rebate Program

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

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

Valuations, Rates, Levies and Collections

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

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation[a]	Tax Levy
2014	$43,312,750	0.95	$4,559,236,842	$2,326.10	$100,750,000
2015	43,221,376	0.95	4,549,618,526	2,329.45	100,682,131
2016	43,038,303	0.95	4,530,347,684	2,385.55	102,670,210
2017	43,460,186	0.91	4,775,844,615	2,419.02	105,131,048
2018	43,127,516	0.90	4,791,946,222	2,521.01	108,920,314

a. Tax rate calculation does not include STAR.
Source: Tax Rate Sheets for the Town of Brookhaven.

Selected Listing of Large Taxable Properties in the District
2017-2018 Assessment Roll

Name	Type	Assessed Valuation
PSEG Long Island	Utility	$ 665,267
Verizon	Utility	362,455
Heatherwood House at Patchogue LLC	Apartments	265,800
KeySpan	Utility	251,557
Avery Village Association	Apartments	236,300
Lakeside Village Assoc LLC	Apartments	203,550
Fairharbor Owners Inc.	Apartments	200,000
Feldman-Medford Dev LLC	Commercial	180,800
FES Realty CO LLC	Apartments	156,000
Gould Patchogue LLC	Commercial	153,100
	Total[a]	$2,674,829

Source: Suffolk County Assessor's Office.

Tax Certiorari Claims

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

LITIGATION

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

DISCLOSURE UNDERTAKING

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

Disclosure Compliance History

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

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2013	09/18/2013	12/03/2013
2014	12/18/2014	10/24/2014
2015	10/07/2015	10/07/2015
2016	11/16/2016	11/16/2016
2017	11/01/2017	11/01/2017

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

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

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the District operations and/or damage from cyber incidents or cyber-attacks, the District has invested in cybersecurity and other operational controls. While the District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

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

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

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

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

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

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

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

CYBERSECURITY

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

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

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

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

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Note Premium

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

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

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

RATING

The Notes are not rated. Moody's Investors Service Inc. has assigned a rating of "A1" 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 said rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from Donna Jones, Deputy Superintendent of Schools, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, Phone (631) 687-6300 and email: DJones@pmschools.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s ANTHONY C. O'BRIEN
President of the Board of Education
Patchogue-Medford Union Free School District
Patchogue, New York

September , 2018

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	$ 83,651,206	$ 86,476,288	$ 86,544,419	$ 88,706,729	$ 91,020,112
Other Real Property Tax Items	14,301,826	14,277,568	13,815,267	14,304,012	14,124,657
Charges for Services	1,807,934	1,726,490	1,825,190	1,742,829	1,757,924
Use of Money and Property	223,745	380,515	392,700	390,775	369,655
Sale of Property and Compensation for Loss	67,961	76,628	125,838	61,420	226,954
Miscellaneous	1,425,508	814,303	1,140,412	1,461,786	1,295,678
Interfund Revenues				43,668	43,740
Local Sources	76,932	71,556	53,451		
State Sources	56,500,660	59,766,556	61,993,402	63,905,737	68,318,802
Federal Sources	195,286	112,896	216,664	308,594	596,144
Total Revenues	158,251,058	163,702,800	166,107,343	170,925,550	177,753,666
Expenditures:					
General Support	16,334,410	17,489,424	17,175,140	17,224,161	18,952,094
Instruction	86,618,324	85,893,312	89,100,430	90,542,878	94,276,001
Pupil Transportation	8,861,872	8,067,219	7,621,657	8,152,286	8,224,562
Community Services	753,853	757,551	729,451	879,500	847,844
Employee Benefits	35,269,216	39,199,141	41,985,616	39,253,982	40,790,230
Debt Service	185,568	77,621	51,523	71,562	206,750
Total Expenditures	148,023,243	151,484,268	156,663,817	156,124,369	163,297,481
Excess (Deficit) of Revenues Over Expenditures	10,227,815	12,218,532	9,443,526	14,801,181	14,456,185
Other Financing Sources (Uses)					
Interfund Transfers In	-	-	422	-	-
Interfund Transfers Out	(10,328,256)	(11,911,179)	(11,335,155)	(12,382,016)	(17,922,661)
Total Other Financing Sources (Uses)	(10,328,256)	(11,911,179)	(11,334,733)	(12,382,016)	(17,922,661)
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(100,441)	307,353	(1,891,207)	2,419,165	(3,466,476)
Fund Balance - Beg. of Year	22,768,004	22,667,563	22,974,916	21,083,709	26,069,277
Adjustments				2,566,403	
Fund Balance - End of Year	$ 22,667,563	$ 22,974,916	$ 21,083,709	$ 26,069,277	$ 22,602,801

Source: Audited Financial Statements (2013-2017)
NOTE: This table NOT audited

Comparative Balance Sheet
General Fund

	Fiscal Year Ending June 30:		
	2015	2016	2017
Assets:			
Cash	$ 30,439,631	$ 32,893,634	$ 27,962,355
Accounts Receivable	437,423	48,658	73,008
State and Federal Receivables	4,157,717	5,411,501	5,150,755
Due From Other Funds	5,379,923	4,867,649	5,201,081
Due From Other Governments	224,226	87,417	196,683
Total Assets	$ 40,638,920	$ 43,308,859	$ 38,583,882
Liabilities & Deferred Revenue:			
Accounts Payable	$ 898,094	$ 1,585,787	$ 1,520,013
Accrued Liabilities	1,495,130	1,226,734	659,059
Due to Other Governments	3,981,106	3,944,115	4,177,653
Due to Other Funds	0	1,675	156,004
Due o Teachers Retirment System	11,596,842	8,973,876	8,159,450
Due to Employees' Retirement Systems	620,904	547,666	561,423
Collections in Advance	173,541	183,625	182,741
Deferred Revenue	389,423	63,284	63,284
Compensated Absences Payable	400,171	712,820	501,454
Total Liabilities & Deferred Revenue	$ 19,555,211	$ 17,239,582	$ 15,981,081
Fund Balance:			
Nonspendable	$	$	$
Restricted	10,842,034	15,659,349	14,730,326
Assigned	3,323,794	3,333,522	573,430
Unassigned	6,917,881	7,076,406	7,299,045
Total Fund Balance	$ 21,083,709	$ 26,069,277	$ 22,602,801
Total Liabilities and Fund Equity	$ 40,638,920	$ 43,308,859	$ 38,583,882

Source: Audited Financial Statements

NOTE: This table NOT audited

Budget Summaries
General Fund

	2017-2018 (1)	2018-2019 (2)
Real Property Taxes (Includes PILOT)	$ 108,920,314	$ 112,318,127
State and Federal Aid	70,978,294	73,851,274
Miscellaneous	4,052,460	4,297,915
Appropriated Fund Balance		
Total Revenues	$ 183,951,068	$ 190,467,316
Expenditures:		
General Support	$ 25,188,474	$ 25,805,627
Instruction	91,171,364	93,855,610
Pupil Transportation	8,987,306	9,440,975
Community Services	1,325,697	1,666,117
Employee Benefits	44,020,274	45,281,890
Interfund Transfers	13,007,953	14,128,842
Debt Service	250,000	288,255
Total Expenditures	$ 183,951,068	$ 190,467,316

(1) The 2017-18 budget was approved by the voters of the District on May 16,
(2) The 2018-19 budget was approved by the voters of the District on May 15,

Source: Adopted Budgets of the District

APPENDIX B

CASH FLOW SUMMARIES

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

CASH FLOW SUMMARY 2017-18 (Actual)

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS	
Balance	27,962	25,294	19,846	39,908	29,310	10,157	3,578	53,419	54,109	66,615	55,964	45,911	27,962	a.
Receipts														
Property Taxes						1,791	44,228	12,469	1,378	1,102	3,169	30,858	94,995	
Library Taxes						161	3,977	1,121	124	99	285	2,774	8,541	
STAR Payment							13,825						13,825	
State Aid	1,165	1,731	7,542	1,388	1,767	6,140	407	725	24,646	6	11,859	5,029	62,405	
Other Receipts	392	180	618	262	228	310	470	679	500	235	585	2,266	6,725	
Transfer & Investments	690	495	31	32	1,138	1,084	40	402	1,195	523	1,938	646	8,214	
TAN Proceeds			32,727										32,727	
Total Receipts	2,247	2,406	40,918	1,682	3,133	9,486	62,947	15,396	27,843	1,965	17,836	41,573	227,432	
Disbursements														
Operating Expenses	4,915	6,431	14,328	11,568	21,574	13,678	13,106	13,994	13,660	11,904	24,822	22,990	172,970	
Debt Service			5,816			964			965		2	3,587	11,334	
Public Library		1,423	712	712	712	1,423		712	712	712	1,423		8,541	
TAN Principal											1,642	30,858	32,500	
Total Disbursements	4,915	7,854	20,856	12,280	22,286	16,065	13,106	14,706	15,337	12,616	27,889	57,435	225,345	
Balance	25,294	19,846	39,908	29,310	10,157	3,578	53,419	54,109	66,615	55,964	45,911	30,049	30,049	
Note Payment Account														
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	1,642	0	
Receipts	0	0	0	0	0	0	0	0	0	0	1,642	30,858	32,500	
Disbursements	0	0	0	0	0	0	0	0	0	0	0	32,500	32,500	
Closing Balance	0	0	0	0	0	0	0	0	0	0	1,642	0	0	

a. Opening balance for 2017 includes approximately $14.7 million in restricted cash.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

CASH FLOW SUMMARY 2018-19 (Projected)

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS	
Balance	30,049	27,420	21,205	40,666	25,154	10,164	779	49,533	38,764	47,208	36,072	35,104	30,049	a.
Receipts														
Property Taxes							44,000	1,300	1,500	1,200	3,500	46,818	98,318	
Library Taxes							4,000	1,200	200	100	300	2,869	8,669	
STAR Payment							14,000						14,000	
State Aid	1,149	2,000	7,500	1,500	1,800	6,000	500	800	25,000	25	12,000	7,261	65,535	
Other Receipts	477	244	651	278	200	252	483	723	449	266	545	2,045	6,613	
Transfer & Investments	752	500	30	30	1,150	1,035	35	435	1,235	535	2,050	680	8,467	
TAN Proceeds			34,000										34,000	
Total Receipts	2,378	2,744	42,181	1,808	3,150	7,287	63,018	4,458	28,384	2,126	18,395	59,673	235,602	
Disbursements														
Operating Expenses	4,555	7,514	16,042	16,598	17,418	15,031	13,533	14,505	18,340	12,540	17,918	26,582	180,576	
Debt Service	452		5,956			919	9		878			3,074	11,288	
Public Library		1,445	722	722	722	722	722	722	722	722	1,445		8,666	
TAN Principal												34,000	34,000	
Total Disbursements	5,007	8,959	22,720	17,320	18,140	16,672	14,264	15,227	19,940	13,262	19,363	63,656	234,530	
Balance	27,420	21,205	40,666	25,154	10,164	779	49,533	38,764	47,208	36,072	35,104	31,121	31,121	
Note Payment Account														
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	
Receipts	0	0	0	0	0	0	0	0	0	0	0	34,000	34,000	
Disbursements	0	0	0	0	0	0	0	0	0	0	0	34,000	34,000	
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	

a. Opening balance for 2018 includes approximately $19.4 million in restricted cash.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

APPENDIX C

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

Exhibit Number		Page
I.	**INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS**	
	Independent Auditor's Report	
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	1 - 15
2	Statement of Net Position	16
3	Statement of Activities	17
4	Balance Sheet – Governmental Funds	18
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
6	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
7	Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
8	Statement of Fiduciary Net Position – Fiduciary Funds	22
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
10	Notes to Financial Statements	24- 58
II.	**REQUIRED SUPPLEMENTARY INFORMATION**	
SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	59 - 60
SS2	Schedule of Funding Progress for Other Post-Employment Benefits	61
SS3	Schedule of District's Proportionate Share of the Net Pension Liability	62
SS4	Schedule of District's Contributions	63
III.	**OTHER SUPPLEMENTARY INFORMATION**	
SS5	Schedule of Change from Adopted Budget to Final Budget – General Fund and and Section 1318 of Real Property Tax Law Limit Calculation	64
SS6	Schedule of Project Expenditures - Capital Projects Fund	65
SS7	Net Investment in Capital Assets	66
IV.	**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***	

Robert S. Abrams
(1926–2014)

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Patchogue-Medford Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Patchogue-Medford Union Free School District as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Patchogue-Medford Union Free School District as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 59 through 63 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Patchogue-Medford Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, on our consideration of the Patchogue-Medford 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 Patchogue-Medford Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 2, 2017

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the Patchogue-Medford Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District eliminated the reliance on appropriated fund balance when developing the budget for 2017/2018. The 2017/2018 budget is the first balanced budget in over ten years.

- The District made the final payment for the deficit financing bonds. The bonds were issued on April 1, 2007 for $6,000,000 and the final principal and interest payments were made on April 1, 2017.

- Property taxes and other tax items and state sources accounted for 92.06% of the 2016/2017 district-wide revenues 55.80% and 36.26% respectively. In 2015/2016, property taxes and other tax items and state sources represented approximately 92.91% of district-wide revenues 57.34% and 35.57% respectively.

- During June, July and August of 2017, the District recoated the roofs at the Eagle Elementary School, Saxton Middle School, Barton Elementary School, Tremont Elementary School, Medford Elementary School, Bay Elementary School and Canaan Elementary School. The District will be replacing the South Windows at the Medford Elementary School in the fall of 2017. The original estimate for these projects was $5,000,000. The final cost of the projects was nearly three million dollars less than anticipated. In May 2017, the District placed a proposition on the ballot to approve additional capital projects with the funds remaining in the reserve of approximately $3,000,000. The voters approved the proposition. The additional projects that are expected to be completed in summer 2018 include recoating the roofs at River Elementary School and the High School, renovating the tennis courts at the High School, and replacing the boys and girls lockers in the locker rooms at Saxton Middle School and South Ocean Middle School.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

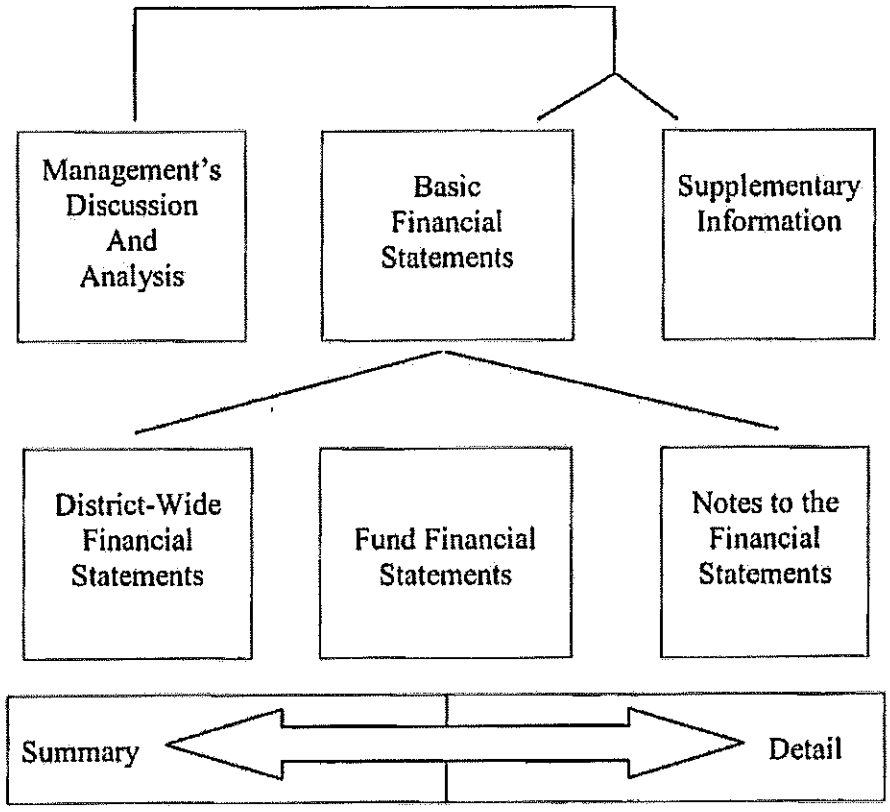
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

    - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

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

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

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



PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/ deferred inflows or resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A) District-Wide Financial Statements:

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

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

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

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

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

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

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

B) Fund Financial Statements:

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

The District has two kinds of funds:

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

- *Fiduciary funds*: The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on position and changes in net position, and is developed using the economic resources measurement focus and the accrual basis of accounting.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's net position decreased by $60,819 in the fiscal year ended June 30, 2017 as detailed in Table A-3.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table A-3 – Condensed Statement of Net Positions-Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
Current assets and other assets	$ 44,222,102	$ 44,199,052	$ 23,050	0.05%
Capital assets, net	122,694,198	126,952,538	(4,258,340)	(3.35%)
Net pension asset, proportionate share	-	44,587,735	(44,587,735)	(100.00%)
Total Assets	166,916,300	215,739,325	(48,823,025)	(22.63%)
Deferred outflows of resources	48,230,522	16,171,506	32,059,016	198.24%
Total Assets and Deferred Outflows of Resources	$ 215,146,822	$ 231,910,831	$ (16,764,009)	(7.23%)
Other liabilities	$ 17,166,942	$ 18,830,085	$ (1,663,143)	(8.83%)
Long-term liabilities	163,052,762	163,737,438	(684,676)	(0.42%)
Total Liabilities	180,219,704	182,567,523	(2,347,819)	(1.29%)
Deferred inflows of resources	5,109,946	19,465,317	(14,355,371)	(73.75%)
Total liabilities and deferred inflows of resources	185,329,650	202,032,840	(16,703,190)	(8.27%)
Net Position				
Net investment in capital assets	20,165,595	16,701,943	3,463,652	20.74%
Restricted	19,631,669	15,663,412	3,968,257	25.33%
Unrestricted (deficit)	(9,980,092)	(2,487,364)	(7,492,728)	301.23%
Total net position	29,817,172	29,877,991	(60,819)	(0.20%)
Total Liabilities and Net Position	$ 215,146,822	$ 231,910,831	$ (16,764,009)	(7.23%)

Current assets and other assets increased $23,050 from the prior year primarily due to an increase in cash and due from other governments offset by decreases in state and federal aid receivable and accounts receivable. Capital assets (net of depreciation) decreased by $4,258,340. This was primarily attributable to current year depreciation expense offset by the purchase of a bus, other equipment items, and building improvements. Net pension asset, proportionate share decreased by $44,587,735 as a result of the actuarial valuation provided by the state and is currently a net pension liability of $4,536,556. Other liabilities decreased by $1,663,143. This was primarily attributable to a decrease in the amount due to teachers' retirement system, as well as a decrease in accrued liabilities. Long-term liabilities decreased by $684,676 primarily due to principal payments on long term debt offset by an increase in net other post-employment benefits obligation. The changes in deferred inflows and outflows represent amortization of pension related items as described in Note I and amortization on the gain and loss on defeasance.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. This number increased from the prior year by $3,968,257 primarily due to the reduction in the principal balance of related debt and District Wide capital improvements, net of current year depreciation expense.

The restricted net position in the amount of $19,631,669 is comprised of amounts with constraints placed on the use externally imposed by creditors, grantors and contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions of enabling legislation. See page 12 of this MD&A and Note 1 to Financial Statements for further descriptions and detailed balances.

The unrestricted net position deficit of $9,980,092 relates to the balance of the District's net position. The unrestricted net position deficit increased by $7,492,728 from the prior year and represents the amount by which the District's liabilities excluding debt related to capital construction and its deferred inflows of resources exceeded assets other than capital assets and its deferred outflows of resources.

Overall, the net position decreased by $60,819.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position-Governmental Activities. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

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

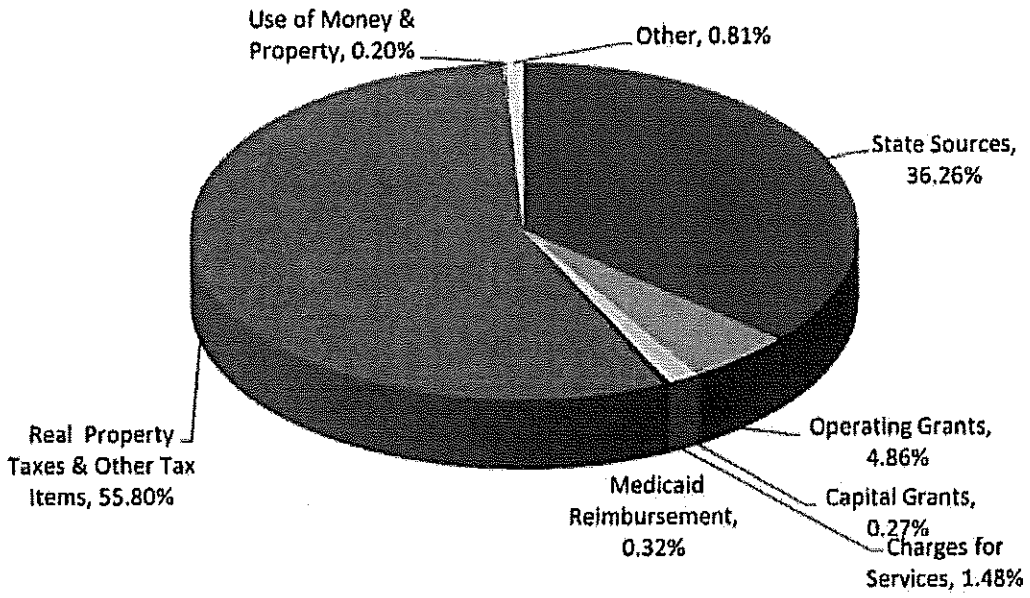
	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	$2,781,602	$2,809,826	($28,224)	(1.00%)
Operating grants	9,155,198	7,659,581	1,495,617	19.53%
Capital grants	515,512	-	515,512	N/A
General Revenues				
Property taxes and other tax items	105,144,769	103,010,741	2,134,028	2.07%
State sources	68,318,802	63,905,737	4,413,065	6.91%
Medicaid reimbursement	596,144	308,594	287,550	93.18%
Use of money & property	380,016	391,856	(11,840)	(3.02%)
Other	1,535,021	1,560,748	(25,727)	(1.65%)
Total Revenues	188,427,064	179,647,083	8,779,981	4.89%
Expenses				
General support	24,080,969	20,785,098	3,295,871	15.86%
Instruction	147,712,788	128,572,055	19,140,733	14.89%
Pupil transportation	8,867,635	8,828,717	38,918	0.44%
Community services	1,264,148	1,184,150	79,998	6.76%
Debt service - interest	3,509,844	3,663,640	(153,796)	(4.20%)
Food service program	3,052,499	2,982,596	69,903	2.34%
Total Expenses	188,487,883	166,016,256	22,471,627	13.54%
Increase (Decrease) in Net Position	($60,819)	$13,630,827	($13,691,646)	(100.45%)

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District's fiscal year 2017 revenues totaled $188,427,064 (See Table A-4). Property taxes and other tax items, and state sources accounted for most of the District's revenue by contributing 55.80% and 36.26%, respectively of total revenue (See Table A-5). The remainder resulted from fees charged for services, operating grants, capital grants, use of money and property, and other miscellaneous sources.

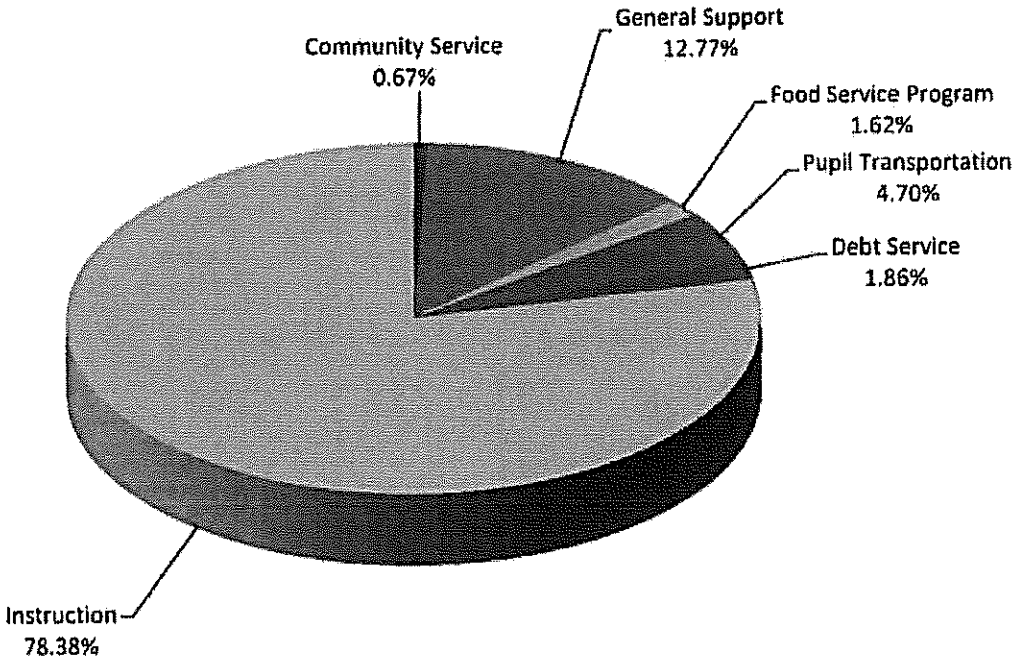
The cost of all programs and services totaled $188,487,883 for fiscal year 2017. These expenses are predominantly related to general instruction and transporting students, which account for 83.08% of district expenses (See Table A-6). The District's general support activities accounted for 12.77% of total costs.

Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)



PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table A-6: Expenses for Fiscal Year 2017 (See Tables A-4 and A-7)



Governmental Activities:

Revenues for the District's governmental activities totaled $188,427,064 while total expenses equaled $188,487,883. Actual expenditures exceeded actual revenues by $60,819. The overall financial strength of the District can be attributed to:

- Sustained and collaborative leadership of the District's Board and administration;
- Careful monitoring of the District's spending;
- Consolidating BOCES services, where necessary;
- Careful analysis of pupil transportation routes;
- Reduced reliance on fund balance appropriations; and
- Conservative and forward-looking multi-year financial planning.

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
General support	$24,080,969	$20,785,098	$24,080,969	$20,785,098
Instruction	147,712,788	128,572,055	138,635,765	121,444,101
Pupil transportation	8,867,635	8,828,717	8,568,625	8,534,191
Community service	1,264,148	1,184,150	1,264,148	1,184,150
Debt service - interest	3,509,844	3,663,640	3,509,844	3,663,640
Food service program	3,052,499	2,982,596	(23,780)	(64,331)
Total	$188,487,883	$166,016,256	$176,035,571	$155,546,849

- The cost of all governmental activities this year was $188,487,883. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed $2,781,602 of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of $9,670,710. (Statement of Activities, Operating Grants and Capital Grants – see Exhibit 3)
- Most of the District's net costs of $176,035,571 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)
- The increase in total cost of services for instruction is due to the recognition of the districts proportionate share of pension liabilities for the Teachers Retirement System.

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of $28,211,386, which is an increase of $1,602,034 from the prior year. The increase is primarily due to an increase in the capital projects fund total fund balance of $4,924,247 net of a decrease in the general

fund total fund balance of $3,466,476. The decrease in the general fund and increase in the capital fund can be attributed to the $5,000,000 transfer from the capital reserve in the general fund to the capital projects fund which was authorized by the voters of the District.

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

	2017	2016	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Employee benefit accrued liability	$8,804,827	$6,286,986	$2,517,841	40.05%
Capital reserve 2015	-	5,000,000	(5,000,000)	(100.00%)
Retirement contribution	4,713,813	3,164,106	1,549,707	48.98%
Unemployment insurance	132,877	132,501	376	0.28%
Insurance	202,882	202,308	574	0.28%
Workers' compensation	875,927	873,448	2,479	0.28%
Assigned				
Designated for subsequent year's expenditures	-	2,055,179	(2,055,179)	(100.00%)
General support	453,037	973,691	(520,654)	(53.47%)
Instruction	116,393	303,152	(186,759)	(61.61%)
Pupil transportation	4,000	1,325	2,675	201.89%
Community services	-	175	(175)	(100.00%)
Unassigned	7,299,045	7,076,406	222,639	3.15%
Total Fund Balance- General Fund	$22,602,801	$26,069,277	($3,466,476)	(13.30%)
School Lunch Fund				
Nonspendable: inventory	$80,224	$66,275	$13,949	21.05%
Assigned	426,104	336,238	89,866	26.73%
Total Fund Balance- School Lunch Fund	$506,328	$402,513	$103,815	25.79%
Debt Service Fund				
Restricted	$44,511	$4,063	$40,448	995.52%
Total Fund Balance- Debt Service Fund	$44,511	$4,063	$40,448	995.52%
Capital Projects Fund				
Restricted	$4,856,832	$91,017	$4,765,815	5236.18%
Assigned	200,914	42,482	158,432	372.94%
Total Fund Balance - Capital Projects Fund	$5,057,746	$133,499	$4,924,247	3688.60%
Total Fund Balances - All Funds	$28,211,386	$26,609,352	$1,602,034	6.02%

Changes to fund balances can be attributed to the following:

The decrease in restricted fund balance in the general fund is primarily due to the transfer from the capital reserve in the general fund to the capital projects fund which was authorized by the voters of the District for $5,000,000. The decrease was offset by increases in the employee benefits accrued liability and retirement contribution reserves, offset by the planned use of reserve balances during the budgeting process. The changes in the assigned fund balance are attributable to a planned elimination of the appropriated fund balance as well as decreases in the amount of encumbrances as of June 30, 2017. The increase in unassigned fund balance is primarily due to operating results for the 2016/2017 fiscal year.

The increase in the school lunch fund balance is due to an operating surplus and a transfer from the general fund.

The increase in the restricted fund balance in the debt service fund is attributable to interest earnings plus a transfer from the general fund and a transfer of unspent bond proceeds related to the EXCEL phase II projects from the capital projects fund offset by debt service payments.

The increase in the total fund balance in the capital projects fund is attributable to the transfer from the capital reserve in the general fund to the capital fund which was authorized by the voters of the District for $5,000,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2016-2017 Budget:

The District's general fund original budget for the year ended June 30, 2017 was $177,333,831. This amount was increased by encumbrances carried forward from the prior year in the amount of $1,278,343. The budget was also increased $5,020,000 for revisions to the budget for the appropriation of the 2015 capital reserve of $5,000,000 and a special legislative grant of $20,000, which resulted in a final budget of $183,632,174. The majority of the funding was from property taxes and STAR revenue in the amount of $105,131,048, and state aid in the amount of $66,157,205.

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

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

Opening, unassigned fund balance	$7,076,406
Revenues over budget	2,763,477
Expenditures and encumbrances under budget	1,838,602
Funding to Reserves	(4,350,000)
Interest allocated to Reseves	(29,440)
Closing, unassigned fund balance	$7,299,045

The opening unassigned fund balance of $7,076,406 is the June 30, 2016 unassigned fund balance.

The revenues over budget in the amount of $2,763,477 were primarily due to state sources, Medicaid reimbursement and miscellaneous revenues.

The expenditures and encumbrances under budget in the amount of $1,838,602 were primarily attributable to the following expenditures: central services, teaching regular school, programs for children with handicapping conditions, and pupil transportation (see Supplemental Schedule #1 for detail).

The District transferred $2,500,000 to the employee benefit accrued liability reserve to use for future employee benefits expenditures and $1,850,000 to the retirement contribution reserve to use for future retirement expenditures. The District also appropriated $308,463 from the retirement contribution reserve and utilized $308,463 for retirement expenditures.

Interest of $29,440 was also allocated to the reserves as follows: $17,841 to the employee benefit accrued liability reserve, $8,170 to the retirement contribution reserve, $376 to the unemployment reserve, $574 to the insurance reserve and $2,479 to the workers' compensation reserve.

The closing, unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4% of the 2017/2018 budget.

The change in fund balance is discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during fiscal year 2017. A summary of the District's capital assets, net of depreciation is as follows:

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

Category	Fiscal Year 2017	Fiscal Year 2016	Percentage Change
Land	$2,827,925	$2,827,925	0.00%
Land improvements	5,861,888	5,861,888	0.00%
Construction in progress	143,168	10,520,264	(98.64%)
Buildings & building improvements	184,214,040	173,594,159	6.12%
Furniture & equipment	3,808,594	3,401,923	11.95%
Subtotal	196,855,615	196,206,159	0.33%
Less: Accumulated depreciation	74,161,417	69,253,621	7.09%
Total Net Capital Assets	$122,694,198	$126,952,538	(3.35%)

The increase in capital assets before depreciation is mainly attributable to amounts spent on the purchase of a bus and other equipment in the general fund, along with the building improvements related to the Energy Performance Projects.

B) Long-Term Obligation

At June 30, 2017 the District had total long term debt payable of $99,928,523. The debt was issued for District-wide projects and deficit financing. The decrease in outstanding debt represents principal payments made during the fiscal year. A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Construction serial bonds payable	$90,405,000	$97,330,000	($6,925,000)
Energy performance debt	9,523,523	10,136,693	(613,170)
Deficit financing bonds payable	-	720,000	(720,000)
Total	$99,928,523	$108,186,693	($8,258,170)

Refer to Footnote 12 for further detail on long-term obligation disclosures.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The District issued $32,500,000 in tax anticipation notes on September 28, 2017, with a stated interest rate of 2.00% maturing on June 22, 2018. In addition, the District received a premium of $226,853 on the note, which resulted in a net interest rate of 1.0482%.

B) The general fund budget for the 2017/2018 fiscal year was approved by the voters on May 16, 2017 in the amount of $183,951,068. This is an increase of $6,617,237 or 3.73% over

the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

C) The 2017/2018 fiscal year budget includes an interfund transfer to the capital projects fund of over $1.1 million dollars to address ADA compliance District-Wide.

D) Included in the 2017-2018 budget are funds totaling more than $323,000 that are specifically earmarked for the development of a community schools plan. Patchogue-Medford intends to use the State Aid allocation on a collaboration with Family Service League. Family Service League is a social empowerment organization that provides physical and emotional support services to Long Island residents. Through the partnership, a series of support services will be provided for students and parents, which will include workshops for students struggling with addictions, connecting families with available resources, monthly forums to assist parents with navigating the Eschool parent portal and much more. Through the partnership, the district will be able to provide intensive intervention support services to students in order for them to be afforded optimal opportunities for future success emotionally, socially and academically.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Patchogue-Medford Union Free School District
Dr. Michael J. Hynes, Superintendent of Schools
241 South Ocean Avenue
Patchogue, New York 11772
(631) 687-6380

Exhibit 2

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current assets	
Cash	
Unrestricted	$17,013,494
Restricted	19,631,669
Receivables	
State and federal aid	7,205,087
Due from other governments	196,683
Accounts receivable	94,945
Inventories	80,224
Non-current assets	
Capital assets not being depreciated	2,971,093
Capital assets being depreciated, net of accumulated depreciation	119,723,105
TOTAL ASSETS	166,916,300
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	47,824,371
Loss on defeasance	406,151
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$215,146,822
LIABILITIES	
Payables	
Accounts payable	$1,580,748
Accrued liabilities	688,010
Accrued interest payable	1,219,510
Compensated absences payable	501,454
Due to other governments	4,184,264
Due to fiduciary funds	2,693
Due to teachers' retirement system	8,159,450
Due to employees' retirement system	605,848
Unearned credits	
Collections in advance	224,965
Long-term liabilities	
Due and payable within one year	
Bonds payable	7,165,000
Energy performance debt	628,569
Claims payable	827,963
Compensated absences payable	1,105,069
Due and payable after one year	
Bonds payable	83,240,000
Energy performance debt	8,894,954
Claims payable	1,112,703
Compensated absences payable	7,873,626
Net other post employment benefits obligation	43,519,735
Net pension liability - proportionate share	8,685,144
TOTAL LIABILITIES	180,219,704
DEFERRED INFLOWS OF RESOURCES	
Pensions	2,103,715
Gain on defeasance	3,006,231
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	185,329,650
NET POSITION	
Net investment in capital assets	20,165,595
Restricted	
Employee benefit accrued liability	8,804,827
Retirement contribution	4,713,813
Unemployment insurance	132,877
Insurance	202,882
Workers' compensation	875,927
Debt service	44,511
Capital	4,856,832
	19,631,669
Unrestricted (deficit)	(9,980,092)
TOTAL NET POSITION	29,817,172
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$215,146,822

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS / PROGRAMS					
General support	($24,080,969)				($24,080,969)
Instruction	(147,712,788)	$1,757,924	$6,803,587	$515,512	(138,635,765)
Pupil transportation	(8,867,635)		299,010		(8,568,625)
Community services	(1,264,148)				(1,264,148)
Debt service - interest	(3,509,844)				(3,509,844)
Food service program	(3,052,499)	1,023,678	2,052,601		23,780
TOTAL FUNCTIONS AND PROGRAMS	($188,487,883)	$2,781,602	$9,155,198	$515,512	(176,035,571)
GENERAL REVENUES					
Real property taxes					91,020,112
Other tax items - including STAR reimbursement					14,124,657
Use of money and property					380,016
Sale of property and compensation for loss					226,954
Miscellaneous					1,308,067
State sources					68,318,802
Medicaid reimbursement					596,144
TOTAL GENERAL REVENUES					175,974,752
CHANGE IN NET POSITION					(60,819)
TOTAL NET POSITION- BEGINNING OF YEAR					29,877,991
TOTAL NET POSITION - END OF YEAR					$29,817,172

See Accompanying Notes to Financial Statements

Exhibit 4

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$13,232,029	$5,962	$224,894	$3,373,938	$176,671	$17,013,494
Restricted	14,730,326			44,511	4,856,832	19,631,669
Receivables						
State and federal aid	5,150,755	1,572,484	131,154		350,694	7,205,087
Due from other governments	196,683					196,683
Due from other funds	5,201,081		153,311	31,391		5,385,783
Accounts receivables	73,008	4,028	16,452	1,457		94,945
Inventories			80,224			80,224
TOTAL ASSETS	$38,583,882	$1,582,474	$606,035	$3,451,297	$5,384,197	$49,607,885
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Payables						
Accounts payable	$1,520,013	$34,030	$8,464		$18,241	$1,580,748
Accrued liabilities	659,059	7,107	21,844			688,010
Due to other governments	4,177,653	6,420	191			4,184,264
Due to other funds	156,004	1,517,476		$3,406,786	308,210	5,388,476
Due to teachers' retirement system	8,159,450					8,159,450
Due to employees' retirement system	561,423		44,425			605,848
Compensated absences	501,454					501,454
Unearned credits						
Collections in advance	182,741	17,441	24,783			224,965
TOTAL LIABILITIES	15,917,797	1,582,474	99,707	3,406,786	326,451	21,333,215
DEFERRED INFLOWS OF RESOURCES						
State aid	63,284					63,284
TOTAL DEFERRED INFLOWS OR RESOURCES	63,284	-	-	-	-	63,284
FUND BALANCES						
Nonspendable: inventory			80,224			80,224
Restricted:						
Employee benefit accrued liability	8,804,827					8,804,827
Retirement contribution	4,713,813					4,713,813
Unemployment insurance	132,877					132,877
Insurance	202,882					202,882
Workers' compensation	875,927					875,927
Debt service				44,511		44,511
Capital					4,856,832	4,856,832
Assigned:						
Unappropriated fund balance	573,430		426,104		200,914	1,200,448
Unassigned: fund balance	7,299,045					7,299,045
TOTAL FUND BALANCES	22,602,801	-	506,328	44,511	5,057,746	28,211,386
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$38,583,882	$1,582,474	$606,035	$3,451,297	$5,384,197	$49,607,885

See Accompanying Notes to Financial Statements

Exhibit 5

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017

Total Governmental Fund Balances		$28,211,386
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$196,855,615	
Accumulated depreciation	(74,161,417)	122,694,198
Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to		47,824,371
Deferred outflows of resources - loss on defeasance on the advanced refunding. The Statement of Net Position will amortize the loss on defeasance on the advanced refunding over the life of the bond Governmental funds recorded the loss on defeasance on the advanced refunding as an expenditure in the year of refunding.		406,151
Deferred inflow of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		63,284
Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to		(2,103,715)
Deferred inflows of resources - gain on defeasance on the advanced refunding. The Statement of Net Position will amortize the gain on defeasance on the advanced refunding over the life of the bond. Governmental funds recorded the gain on defeasance on the advanced refunding as a revenue in the year of refunding.		(3,006,231)
Payables that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:		
Accrued interest on bonds payable		(1,219,510)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Bonds payable	($90,405,000)	
Energy performance debt	(9,523,523)	
Claims payable	(1,940,665)	
Compensated absences payable	(8,978,695)	
Net other post employment benefits obligation	(43,519,735)	
Net pension liability - proportionate share	(8,685,144)	
		(163,052,762)
Total Net Position		$29,817,172

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$91,020,112					$91,020,112
Other tax items - including STAR reimbursement	14,124,657					14,124,657
Charges for services	1,757,924					1,757,924
Use of money and property	369,655			$10,361		380,016
Sale of property and compensation for loss	226,954					226,954
Miscellaneous	1,295,678		$12,389			1,308,067
Interfund revenues	43,740					43,740
Local sources		$83,578				83,578
State sources	68,318,802	3,405,081	63,028		$515,512	72,302,423
Federal sources	596,144	3,613,938	1,782,323			5,992,405
Surplus food			207,250			207,250
Sales - school lunch			1,023,678			1,023,678
TOTAL REVENUES	177,753,666	7,102,597	3,088,668	10,361	515,512	188,470,804
EXPENDITURES						
General support	18,952,094					18,952,094
Instruction	94,276,001	7,157,283				101,433,284
Pupil transportation	8,224,562	299,010				8,523,572
Community service	847,844					847,844
Employee benefits	40,790,230					40,790,230
Debt service principal				8,258,170		8,258,170
Debt service interest	206,750			3,662,092		3,868,842
Cost of sales			3,084,853			3,084,853
Capital outlay					1,109,881	1,109,881
TOTAL EXPENDITURES	163,297,481	7,456,293	3,084,853	11,920,262	1,109,881	186,868,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,456,185	(353,696)	3,815	(11,909,901)	(594,369)	1,602,034
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	-	353,696	100,000	11,950,349	5,550,000	17,954,045
Operating transfers (out)	(17,922,661)				(31,384)	(17,954,045)
TOTAL OTHER FINANCING SOURCES AND (USES)	(17,922,661)	353,696	100,000	11,950,349	5,518,616	-
NET CHANGE IN FUND BALANCE	(3,466,476)	-	103,815	40,448	4,924,247	1,602,034
FUND BALANCE - BEGINNING OF YEAR	26,069,277	-	402,513	4,063	133,499	26,609,352
FUND BALANCE - END OF YEAR	$22,602,801	$ -	$506,328	$44,511	$5,057,746	$28,211,386

See Accompanying Notes to Financial Statements

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Change in Fund Balance		$1,602,034
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
Worker's compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Workers' compensation claims payable for the year ended June 30, 2017 changed by		(865,062)
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2017 changed by		(59,305)
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefits obligation payable for the year ended June 30, 2017 changed by		(4,838,085)
Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	$243,581	
Employees' retirement system	(502,810)	(259,229)
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 expense in the Statement of Activities.		
Capital outlays	$666,527	
Depreciation expense	(4,924,867)	(4,258,340)
Long-Term Debt Differences		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		7,645,000
Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		613,170
Defeasance loss on advanced refunding- The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognize the defeasance loss in the year of issue. The amount of loss amortized for the fiscal year ended June 30, 2017 was		(39,305)
Defeasance gain on advanced refunding- The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognize the defeasance gain in the year of issue. The amount of gain amortized for the fiscal year ended June 30, 2017 was		314,144
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by		84,159
Change in Net Position		($60,819)

See Accompanying Notes to Financial Statements

Exhibit 8

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash - Restricted	$398,947	$1,016,161
Investment in securities	674,202	
Due from governmental funds		2,693
TOTAL ASSETS	$1,073,149	$1,018,854
LIABILITIES		
Extraclassroom activity balance		$290,003
Other liabilities		728,851
TOTAL LIABILITIES	$ -	$1,018,854
NET POSITION		
Restricted for scholarships	$1,073,149	
TOTAL NET POSITION	$1,073,149	

See Accompanying Notes to Financial Statements

Exhibit 9

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	$44,978
Interest and earnings	4,015
TOTAL ADDITIONS	48,993
DEDUCTIONS	
Scholarships and awards	51,175
TOTAL DEDUCTIONS	51,175
CHANGE IN NET POSITION	(2,182)
NET POSITION - BEGINNING OF THE YEAR	1,075,331
NET POSITION - END OF THE YEAR	$1,073,149

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

Extraclassroom Activity Funds

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

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

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

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

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

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

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

D) Measurement focus and basis of accounting:

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, net pension liability, net other post-employment benefits obligation 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.

E) Real Property taxes:

i) Calendar:
Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven and remitted to the District from January to June.

ii) Enforcement:
Uncollected real property taxes are subsequently enforced by Suffolk County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the Town of Brookhaven no later than the following July 1.

F) Restricted resources:

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

G) Interfund transactions:

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

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash and investments:

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

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

J) Receivables:

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

K) Inventories and prepaid items:

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2017.

L) Capital assets:

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	$15,000	Straight-line	30 years
Land Improvements	$15,000	Straight-line	20 years
Furniture & Equipment	$5,000	Straight-line	5 years

M) Unearned credits:

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

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

N) Deferred inflows of resources – state aid:

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows or resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. The District has one item that qualifies for reporting in this category. This amount is related to state aid reported as deferred inflows of resources in the Governmental Funds Balance Sheet.

O) Deferred outflows and inflows of resources – pensions:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), changes of assumptions (TRS and ERS), the net difference between projected and actual investment earnings on pension plan investments (TRS and ERS), changes in proportion and differences between employer contributions and proportionate share of contributions (TRS and ERS), and the District's contributions to the pension systems (TRS and ERS systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (TRS and ERS).

P) Deferred inflows of resources – gain on defeasance:

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District reported $3,006,231 of deferred inflows of resources at June 30, 2017, representing the financial effect of a deferred revenue on the advance refunding of general obligation serial bonds. A deferred inflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Q) Deferred outflows of resources – loss on defeasance:

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District reported $406,151 of deferred outflows of resources at June 30, 2017, representing the financial effect of deferred charge on the advance refunding of general obligation serial bonds. A deferred outflow of resources results from the difference in the net carrying value of refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

R) Vested employee benefits:

Compensated absences:

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

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

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

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

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

S) **Other benefits:**

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

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

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

T) **Short-term debt:**

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities 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 dated.

U) **Accrued liabilities and long-term obligations:**

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, net pension liability, net other post-employment benefits obligation and

compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

V) **Equity classifications:**

i) District-Wide Financial Statements:

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, loss and gain on refunding).

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

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

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below:

(1) **Nonspendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of $80,224.

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

Currently, New York State laws still use the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

Employee Benefit Accrued Liability Reserve

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

Retirement Contribution Reserve

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

Unemployment Insurance Reserve

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

Insurance Reserve

Insurance reserve (GML §6-n), must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law, e.g., Unemployment Compensation Insurance. The reserve may be established by Board action and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims

up to $25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund under the restricted fund balance.

Workers' Compensation Reserve

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

Debt Service

Unexpended balances of proceeds from borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are reordered as amounts restricted for debt service and held until appropriated for debt payments. The restricted funds are accounted for in the debt service fund.

Capital

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Scholarships

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

(3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2017.

(4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

The District has adopted policy 3480, *Fund Balance*, which authorizes the Board of Education, or its designee, to assign amounts for a specific purpose.

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

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

Order of Use of Fund Balance

The order by which the District will spend restricted and unrestricted (unassigned) fund balance will be evaluated on an annual basis based on the current financial conditions by the Assistant Superintendent for Business. After evaluation, if adjustments are required, a recommendation will be made to the Board of Education for consideration.

Minimum Fund Balance Amount

The fund balance of the District's general fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

The target is to maintain an unassigned fund balance of 4% of the estimated annual operating expenditures for the ensuing fiscal year.

The District's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of 4% of the expected expenditures stems from the need to support normal operating costs for the District and provide fiscal stability.

W) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This statement defines tax abatements and provides for increased disclosures including authority, eligibility criteria, dollar amount of taxes abated, and other information.

Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

X) **Future changes in accounting standards:**

GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

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

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Employee benefits allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of

Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Budget Revision:	
Special Legislative Grant	$20,000
Voter Authorization to Expend Funds from the 2015 Capital Reserve	5,000,000
Final Budget Revision	$5,020,000

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

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

B) Encumbrances:

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

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

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

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

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

Restricted Cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2017 included $19,631,669 within the governmental funds for capital projects, debt service and general reserve purposes, and $1,415,108 in the fiduciary funds.

B) Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are accounted for within the private purpose trust fund.

Type of Investment	Value
United States Treasury Bills	$665,369
United States Treasury Notes	8,833
Total investments	$674,202

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

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2017 the District was billed $18,754,406 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $2,063,584. Financial statements for the BOCES are available from the Eastern Suffolk BOCES administrative office at James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivables at June 30, 2017 consisted of the following:

General Fund	
Excess cost aid	$1,903,910
Homeless Aid	78,930
BOCES aid	2,063,584
Medicaid	60,790
Building Aid	980,257
Other	63,284
Total - General Fund	5,150,755
Special Aid Fund	
Federal aid	795,272
State aid	777,212
Total - Special Aid Fund	1,572,484
School Lunch Fund	
Breakfast - federal aid	36,085
Lunch - federal aid	90,584
Breakfast - state aid	1,834
Lunch - state aid	2,651
Total - School Lunch Fund	131,154
Capital Projects Fund	
State aid	350,694
Total - All Funds	$7,205,087

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2017 consisted of the following:

Foster care tuition	$144,799
District of Location Services	50,878
Other	1,006
Total	$196,683

District management has deemed the amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the fiscal year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$2,827,925			$2,827,925
Construction in progress	10,520,264	$143,168	($10,520,264)	143,168
Total capital assets not being depreciated	13,348,189	143,168	(10,520,264)	2,971,093
Capital assets being depreciated:				
Land improvements	5,861,888			5,861,888
Building & building improvements	173,594,159	10,619,881		184,214,040
Furniture and equipment	3,401,923	423,742	(17,071)	3,808,594
Total capital assets being depreciated	182,857,970	11,043,623	(17,071)	193,884,522
Less accumulated depreciation:				
Land improvements	2,871,946	136,815		3,008,761
Building & building improvements	63,900,631	4,559,463		68,460,094
Furniture and equipment	2,481,044	228,589	(17,071)	2,692,562
Total accumulated depreciation	69,253,621	4,924,867	(17,071)	74,161,417
Total capital assets being depreciated, net	113,604,349	6,118,756	-	119,723,105
Capital assets, net	$126,952,538	$6,261,924	$ (10,520,264)	$122,694,198

Depreciation expense was charged to governmental functions as follows:

General support	$139,115
Instruction	4,734,941
Pupil transportation	50,811
	$4,924,867

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$5,201,081	$156,004		$17,922,661
Special aid fund		1,517,476	$353,696	
School lunch fund	153,311		100,000	
Debt service fund	31,391	3,406,786	11,950,349	
Capital projects fund		308,210	5,550,000	31,384
Total government activities	5,385,783	5,388,476	17,954,045	17,954,045
Fiduciary agency fund	2,693			
Totals	$5,388,476	$5,388,476	$17,954,045	$17,954,045

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to help support the program. The District typically transfers from the general fund to the debt service fund to finance debt service requirements. The District transferred from the general fund to the capital projects fund to fund ongoing projects. The District typically transfers from the capital projects fund to the debt service fund to return unused funds on capital projects.

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

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

NOTE 10 – UNEARNED CREDITS - COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2017 consisted of the following:

General Fund	
Summer programs 2017-2018	$182,741
Special Aid Fund	
Local grant	893 *
Other local grants	16,548
Total Special Aid Fund	17,441
School Lunch Fund	
Prepaid account balances	24,783
Total All Funds	$224,965

*The Town of Brookhaven and the Long Island Power Authority (LIPA) entered into a Host Community Benefits agreement dated March 13, 2007. As part of such agreement LIPA agreed to contribute $1,500,000 to the District to be placed in a special projects fund. The amount deferred as of June 30, 2017 is the remaining amount to be spent on the technology initiative project designated by the Board of Education on January 11, 2010.

NOTE 11 - SHORT-TERM DEBT:

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/23/17	1.50%	$ -	$30,000,000	$30,000,000	$ -
	Total		$ -	$30,000,000	$30,000,000	$ -

Interest expense on short-term debt for the year was $206,750.

The TAN was issued for interim financing of general fund operations.

NOTE 12 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Reclassed and Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	$98,050,000		$7,645,000	$90,405,000	$7,165,000
Energy performance debt	10,136,693		613,170	9,523,523	628,569
Other long-term liabilities:					
Claims payable	1,075,603	$1,797,680	932,618	1,940,665	827,963
Compensated absences payable	8,919,390	924,641	865,336	8,978,695	1,105,069
Net OPEB obligation	38,681,650	14,423,469	9,585,384	43,519,735	
Net pension liability - proportionate share	6,874,102	12,525,375	10,714,333	8,685,144	
Total long-term liabilities	$163,737,438	$29,671,165	$30,355,841	$163,052,762	$9,726,601

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

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Refunding serial bond	1/5/2012	10/1/2025	2.00-5.00%	$29,655,000
Refunding serial bond	9/12/2012	7/1/2027	3.50 - 4.25%	27,995,000
Construction serial bond	9/27/2012	9/15/2025	1.50 - 2.50%	3,810,000
Refunding serial bond	6/17/2015	10/1/2026	2.00% - 5.00%	27,170,000
Construction serial bond	6/17/2015	7/15/2020	1.00 - 2.00%	1,775,000
				$90,405,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	$7,165,000	$3,167,556	$10,332,556
2019	7,460,000	2,903,412	10,363,412
2020	7,790,000	2,596,388	10,386,388
2021	8,160,000	2,252,912	10,412,912
2022	8,115,000	1,878,338	9,993,338
2023-2027	45,350,000	4,696,734	50,046,734
2028	6,365,000	105,584	6,470,584
	$90,405,000	$17,600,924	$108,005,924

B) Energy Performance Debt:

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy performance debt	7/3/2014	1/3/2030	2.496%	$9,523,523
				$9,523,523

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	$628,569	$233,792	$862,361
2019	644,355	218,007	862,362
2020	660,536	201,824	862,360
2021	677,125	185,235	862,360
2022	694,131	168,230	862,361
2023-2027	3,741,062	570,743	4,311,805
2028-2030	2,477,745	109,338	2,587,083
	$9,523,523	$1,687,169	$11,210,692

C) Long-Term Interest

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

	Total
Interest paid	$3,662,092
Less interest accrued in the prior year	(1,303,669)
Plus interest accrued in the current year	1,219,510
Plus amortized deferred loss on defeasance	39,305
Less amortized deferred gain on defeasance	(314,144)
Total expense	$3,303,094

NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES – LOSS ON DEFEASANCE:

The loss on defeasance pertaining to the 2002 refunding is recorded in the District-Wide Financial Statements, as deferred outflow of resources. The loss on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 16 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization on the defeasance loss recorded on the District-Wide financials amounted to $39,305 for the year ending June 30, 2017, and is recorded as a component for interest expense.

The loss on defeasance pertaining to the 2002 refunding at June 30, 2017 consisted of the following:

	Total
Deferred amount on refunding	1,030,619
Bond premium	(624,468)
Total loss on defeasance, net of amortization	$406,151

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

The gain on defeasance pertaining to the 2003 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources. The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 16 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization of the defeasance gain recorded on the District-Wide financials amounted to $120,464 for the year ending June 30, 2017.

The gain on defeasance pertaining to the 2005 refunding is recorded in the District-Wide Financial Statements, as deferred inflow of resources. The gain on defeasance on the advanced refunding is being amortized on the District-Wide Financial Statements using the straight-line method over 12 years, the time to maturity on the refunded bonds, at the point of refunding. Amortization of the defeasance gain recorded on the District-Wide financials amounted to $193,680 for the year ending June 30, 2017.

Amortization on the District-Wide Financials is being recorded as a component of interest expense.

The gain on defeasance pertaining to the 2003 and 2005 refunding at June 30, 2017 consisted of the following:

	Total
Deferred amount on refunding - 2003	$932,917
Bond premium - 2003	(2,147,598)
Deferred amount on refunding - 2005	198,120
Bond premium - 2005	(1,989,670)
Total gain on defeasance, net of amortization	($3,006,231)

NOTE 15 – PENSION PLANS:

A) Plan description and benefits provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The

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

ii) Employees' Retirement System

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

B) Funding policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.

b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
    i. Employees contribute 3.5% of their salary throughout active membership.
c. Employees who joined the system on or after April 1, 2012
    i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

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

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

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

	NYSTRS	NYSERS
2017	$7,812,724	$2,134,840
2016	$8,666,777	$2,071,934
2015	$11,303,793	$3,308,634

C) **Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:**

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating

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

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Net pension asset/(liability)	$ (4,148,588)	$ (4,536,556)
District's portion of the Plan's total net pension asset/(liability)	0.0441517%	0.423565%
Change in proportion since the prior measurement date	0.0013232%	-0.0057080%

For the year ended June 30, 2017, the District recognized pension expense of $2,637,650 for ERS and $7,565,065 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources		Deferred Inflow of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 103,960		$ 629,987	$ 1,473,728
Changes of assumptions	1,417,310	$ 25,843,109		
Net difference between projected and actual earnings on pension plan investments	828,641	10,200,562		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	585,843	426,374		
District's contributions subsequent to the measurement date	605,848	7,812,724		
	$ 3,541,602	$ 44,282,769	$ 629,987	$ 1,473,728

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Plan Year ended:		
2017		$ 3,222,256
2018	$ 976,916	$ 3,222,256
2019	$ 976,916	$ 11,144,294
2020	$ 837,463	$ 8,679,517
2021	$ (485,528)	$ 4,016,940
Thereafter		$ 4,711,054

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:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

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

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

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

	ERS		TRS	
Valuation Date	April 1, 2016		June 30, 2015	
Asset type	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Domestic equity	36%	4.55%	37%	6.1%
International equity	14%	6.35%	18%	7.3%
Private equity	10%	7.75%	7%	9.2%
Real estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.0%
Global fixed income securities			2%	0.8%
Mortgages			8%	3.1%
Short-term			1%	0.1%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0 % for ERS and 6.5% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	($13,249,769)	($4,148,588)	$3,546,443

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	($59,189,679)	($4,536,556)	$41,303,619

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands) ERS	TRS
Valuation date	April 1, 2016	June 30, 2015
Employers' total pension liability	$ (177,400,586)	$ (108,577,184)
Plan Fiduciary Net Position	168,004,363	107,506,142
Employers' net pension asset/(liability)	$ (9,396,223)	$ (1,071,042)
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	94.70%	99.01%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $605,848.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $8,159,450.

NOTE 16 – RETIREMENT PLANS: OTHER:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled $577,823 and $3,801,118 respectively.

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

A) Plan Description:

The District primarily provides post-employment health insurance coverage to retired employees and their spouses in accordance with provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan, (Plan) which is a single-employer defined benefit healthcare plan.

The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

B) Funding Policy:

The District shares of the cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For the year ended June 30, 2017, the District recognized a general fund expenditure of $9,585,384 for insurance premiums for currently enrolled retirees. Plan

members receiving benefits contributed approximately 0% to 16% of the health insurance premium. Currently, there is no provision in the law to permit the District to fund other post-employment benefits by any means other than the "pay as you go" method. Therefore, there are no plan assets and no report is issued.

C) Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	$13,938,191
Interest on net OPEB obligation	1,934,083
Adjustment to Annual Required Contribution	(1,448,805)
Annual OPEB cost (expense)	14,423,469
Contributions made	(9,585,384)
Increase in net OPEB obligation	4,838,085
Net OPEB obligation-beginning of year	38,681,650
Net OPEB obligation-end of year	$43,519,735

The District's annual OPEB cost, the percentage of annual OPEB cost contributes to the plan and the net OPEB obligation for 2017 and the preceding two years was as follows:

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$12,271,110	$12,658,944	$8,917,008	70%	$34,656,340
6/30/16	$12,680,695	$13,115,473	$9,090,163	69%	$38,681,650
6/30/17	$13,938,191	$14,423,469	$9,585,384	66%	$43,519,735

D) Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $214,785,446 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $214,785,446. The covered payroll (annual payroll of active employees covered by the Plan) was $74,200,431 and the ratio of the UAAL to the covered payroll was 289.5%.

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

E) Actuarial Methods and Assumptions:

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

The July 1, 2016, actuarial valuation prepared by the Board of Cooperative Education Services Albany-Schoharie-Schenectady-Saratoga Counties, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 5% and an annual healthcare cost trend rate of 5.6% initially reduced to an ultimate rate of 3.94% after one year. The UAAL is being amortized using the level percentage of payroll method over an open period of 30 years.

NOTE 18 – RISK MANAGEMENT:

A) General:

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

B) Risk Retention:

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an

amount for reported and unpaid claims which were incurred on or before year-end. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR). Had an actuary valuation been performed, the liability amount may significantly change. As of June 30, 2017, the District has recorded a workers' compensation claims liability of $1,940,665 and has a workers' compensation reserve balance of $875,927.

Claims activity is as follows:

Fiscal Year Ending	Unpaid Claims at the Beginning of the Year	Incurred Claims	Paid Claims and Adjustments	Unpaid Claims at the End of the Year
6/30/16	$751,014	$1,047,947	($723,358)	$1,075,603
6/30/17	$1,075,603	$1,797,680	($932,618)	$1,940,665

The program is accounted for in the general fund of the District.

NOTE 19 – TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by $13,083 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $11,240 for these programs during the fiscal year.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as restricted or assigned fund balance and are as follows:

i) **General Fund** - Total encumbrances of the general fund as of June 30, 2017 were $573,430. Significant encumbrances were assigned as follows; $353,150 for professional services, and $182,309 for supplies and materials.

ii) **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2017 were $2,294,707. Encumbrances totaling $2,289,573 were for the Districts' 2015 Capital Reserve Projects.

iii) **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2017 were $209,485. Encumbrances totaling $206,685 were for the Districts' Smart Schools Bond Act projects.

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 years' experience, the District's administration believes disallowances, if any, will be immaterial.

C) Leases:

The District leases copy equipment under the terms of various non-cancelable leases. Rental expense for the year was $268,511. Minimum annual rentals for each of the remaining years of the lease are:

Fiscal Year Ending June 30,	Annual Lease Cost
2018	$278,830
2019	213,152
2020	126,857
2021	17,301
Total	$636,140

D) Litigation:

As of June 30, 2017, the District was involved in a lawsuit arising from the normal conduct of its affairs, the outcome of which cannot be determined as of the date of this report.

NOTE 21 – SUBSEQUENT EVENTS:

A) The District issued $32,500,000 in tax anticipation notes on September 28, 2017, with a stated interest rate of 2.00% maturing on June 22, 2018. In addition, the District received a premium of $226,853 on the note, which resulted in a net interest rate of 1.0482%.

SUPPLEMENTARY INFORMATION

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	$105,131,048	$105,131,048	$91,020,112	($14,110,936)
Other real property tax items	18,346	18,346	14,124,657	14,106,311
Charges for services	1,851,332	1,851,332	1,757,924	(93,408)
Use of money & property	398,052	398,052	369,655	(28,397)
Sale of property & compensation for loss	60,000	60,000	226,954	166,954
Miscellaneous	1,079,206	1,079,206	1,295,678	216,472
Interfund revenues	50,000	50,000	43,740	(6,260)
State Sources				
Basic formula	58,518,153	58,518,153	43,379,093	(15,139,060)
Excess cost aid	4,516,877	4,516,877	11,861,685	7,344,808
Lottery Aid			9,950,355	9,950,355
BOCES aid	1,965,865	1,965,865	2,063,584	97,719
Tuition for students with disabilities aid	150,000	150,000	109,587	(40,413)
Textbook aid	467,214	467,214	468,913	1,699
Computer software and hardware aid	237,464	237,464	235,148	(2,316)
Library A/V loan program aid	51,632	51,632	50,231	(1,401)
Other state aid	250,000	270,000	200,206	(69,794)
Medicaid reimbursement	225,000	225,000	596,144	371,144
TOTAL REVENUES AND OTHER SOURCES	174,970,189	174,990,189	$177,753,666	$2,763,477
Appropriated fund balance	3,333,522	8,333,522		
Appropriated reserves	308,463	308,463		
TOTAL REVENUES, APPROPRIATED FUND BALANCE AND RESERVES	$178,612,174	$183,632,174		

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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	$152,339	$152,339	$132,032	$285	$20,022
Central administration	401,557	401,557	397,175		4,382
Finance	1,303,707	1,303,707	1,277,325	4,364	22,018
Staff	816,948	816,948	803,323		13,625
Central services	15,329,939	15,329,939	14,291,880	448,388	589,671
Special items	2,057,304	2,057,304	2,050,359		6,945
Instructional					
Instruction, adm. & imp.	6,246,898	6,246,898	6,196,199		50,699
Teaching - regular school	49,667,163	49,667,163	49,263,801	62,082	341,280
Programs for children with handicapping conditions	26,700,750	26,700,750	26,505,374	30,085	165,291
Occupational education	1,100,122	1,100,122	1,099,628		494
Teaching special schools	763,117	763,117	735,523	2,000	25,594
Instructional media	2,820,089	2,820,089	2,719,951	8,702	91,436
Pupil services	7,842,129	7,862,129	7,755,525	13,524	93,080
Pupil transportation	8,412,591	8,412,591	8,224,562	4,000	184,029
Community services	908,733	908,733	847,844		60,889
Employee benefits	40,930,588	40,930,588	40,790,230		140,358
Debt service					
Debt service interest	206,750	206,750	206,750		-
	165,660,724	165,680,724	163,297,481	573,430	1,809,813
Other Financing Uses					
Interfund transfers	12,951,450	17,951,450	17,922,661		28,789
TOTAL EXPENDITURES AND OTHER USES	$178,612,174	$183,632,174	181,220,142	$573,430	$1,838,602
NET CHANGE IN FUND BALANCE			(3,466,476)		
FUND BALANCE - BEGINNING OF YEAR			26,069,277		
FUND BALANCE - END OF YEAR			$22,602,801		

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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2012	$0	$174,441,979	$174,441,979	0%	$72,076,073	242%
July 1, 2014	$0	$194,842,353	$194,842,353	0%	$71,983,681	271%
July 1, 2016	$0	$214,785,446	$214,785,446	0%	$74,200,431	289%

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

NYSERS Pension Plan

	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.0441517%	0.0428285%	0.0428188%	0.0428188%
District's proportionate share of the net pension (liability) asset	$ (4,148,588)	$ (6,874,102)	$ (1,446,523)	$ (1,934,921)
District's covered payroll	$14,202,033	$ 13,995,350	$ 13,032,483	$ 12,836,071
District's proportionate share of the net pension (liability) asset as a percentage of its covered -employee payroll	29.21%	49.12%	11.10%	15.07%
Plan fiduciary net position as a percentage of the total pension (liability) asset	94.70%	90.68%	97.95%	97.20%

NYSTRS Pension Plan

	2017	2016	2015	2014
District's proportion of the net pension (liability) asset	0.423565%	0.429273%	0.430833%	0.441540%
District's proportionate share of the net pension (liability) asset	$ (4,536,556)	$ 44,587,735	$ 47,992,057	$ 2,906,453
District's covered payroll	$66,282,405	$ 65,447,539	$ 64,783,002	$ 65,811,589
District's proportionate share of the net pension (liability) asset as a percentage of its covered -employee payroll	6.84%	68.13%	74.08%	4.42%
Plan fiduciary net position as a percentage of the total pension (liability) asset	99.01%	110.46%	111.48%	100.70%

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

	NYSERS Pension Plan									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 2,134,840	$ 2,071,934	$ 3,308,634	$ 2,813,250	$ 1,605,109	$ 1,934,788	$ 1,228,923	$ 893,292	$ 859,359	$ 942,282
Contributions in relation to the contractually required contribution	2,134,840	2,071,934	3,308,634	2,813,250	1,605,109	1,934,788	1,228,923	893,292	859,359	942,282
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 14,459,827	$ 14,127,816	$ 13,378,662	$ 12,779,733	$ 12,817,802	$ 12,417,842	$ 12,308,884	$ 12,177,950	$ 11,465,431	$ 11,042,071
Contributions as a percentage of covered employee payroll	14.76%	14.67%	24.73%	22.01%	12.52%	15.58%	9.98%	7.34%	7.50%	8.53%

	NYSTRS Pension Plan									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 7,812,724	$ 8,666,777	$ 11,303,793	$ 10,341,609	$ 7,657,645	$ 6,970,100	$ 5,716,906	$ 3,910,355	$ 4,763,487	$ 5,159,483
Contributions in relation to the contractually required contribution	7,812,724	8,666,777	11,303,793	10,341,609	7,657,645	6,970,100	5,716,906	3,910,355	4,763,487	5,159,483
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 68,829,412	$ 66,282,405	$ 65,447,539	$ 64,783,002	$ 65,811,589	$ 63,777,204	$ 67,506,782	$ 64,602,057	$ 64,026,389	$ 60,435,645
Contributions as a percentage of covered employee payroll	11.35%	13.08%	17.27%	15.96%	11.64%	10.93%	8.47%	6.05%	7.44%	8.54%

See Paragraph on Supplementary Schedules Included in Auditor's Report

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$177,333,831
Add: Prior year's encumbrances	1,278,343
Original Budget	178,612,174
Budget revisions	5,020,000
Final Budget	$183,632,174

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved expenditure budget		$183,951,068
Maximum allowed (4% of 2017-2018 budget)		$7,358,043
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	$573,430	
Unassigned fund balance	7,299,045	
Total unrestricted fund balance		7,872,475
Less:		
Appropriated fund balance	-	
Encumbrances	573,430	
Total adjustments		573,430
General fund fund balance subject to Section 1318 of Real Property Tax Law		$7,299,045
Actual percentage		3.97%

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures and Transfers to Date				Unexpended Balance	Methods of Financing				Fund Balance June 30, 2017
			Prior Year's	Current Year Expenses	Current Year Transfers	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2007 EXCEL Bond Referendum	$10,334,240	$10,334,240	$9,994,129	$100,149	$31,384	$10,125,662	$208,578	$7,460,000	$2,475,722		$9,935,722	($189,940) *
2013-14 High School Track and Field	1,600,000	1,335,989	1,335,989			1,335,989	-			$1,335,989	1,335,989	-
Energy Performance Contract	10,602,531	10,602,531	10,511,514	91,017		10,602,531	-	10,602,531			10,602,531	-
Smart Schools Bond Act	373,942	373,942	8,750	345,694		354,444	19,498		350,694		350,694	(3,750) *
2015-16 Interfund Transfer	500,000	499,951	225,392	272,693		498,085	1,866			$499,849	499,849	1,764
2016-17 Interfund Transfer	550,000	550,000		157,160		157,160	392,840			$550,000	550,000	392,840
2015 Capital Reserve - Bay Roof	365,565	365,565		10,746		10,746	354,819			$365,565	365,565	354,819
2015 Capital Reserve - Medford Window	511,752	511,752		16,107		16,107	495,645			$511,752	511,752	495,645
2015 Capital Reserve - Medford Roof	511,752	511,752		14,677		14,677	497,075			$511,752	511,752	497,075
2015 Capital Reserve - Saxton Roof	1,097,682	1,097,682		30,400		30,400	1,067,282			$1,097,682	1,097,682	1,067,282
2015 Capital Reserve - Barton Roof	639,714	639,714		18,117		18,117	621,597			$639,714	639,714	621,597
2015 Capital Reserve - Tremont Roof	731,131	731,131		20,573		20,573	710,558			$731,131	731,131	710,558
2015 Capital Reserve - Eagle Roof	594,006	594,006		16,888		16,888	577,118			$594,006	594,006	577,118
2015 Capital Reserve - Canaan Roof	548,398	548,398		15,660		15,660	532,738			$548,398	548,398	532,738
TOTAL	$28,960,713	$23,696,653	$22,075,774	$1,109,881	$31,384	$23,217,039	$5,479,614	$18,062,531	$2,826,416	$7,385,838	$28,274,785	$5,057,746

* The current deficit fund balance will be eliminated once permanent funding is obtained.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2017

Capital assets, net		$122,694,198
Add:		
Loss on defeasance	$406,151	406,151
Deduct:		
Gain on defeasance	3,006,231	3,006,231
Short-term portion of bonds payable	7,165,000	
Long-term portion of bonds payable	83,240,000	90,405,000
Short-term portion of energy performance debt	628,569	
Long-term portion of energy performance debt	8,894,954	9,523,523
Net investment in capital assets		$20,165,595

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

Robert S. Abrams
(1926-2014)

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

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

To the Board of Education
Patchogue-Medford Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Patchogue-Medford Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Patchogue-Medford Union Free School District's basic financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Patchogue-Medford 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 Patchogue-Medford Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Patchogue-Medford Union Free School District's internal control.

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

R. S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 2, 2017

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

September 27, 2018

The Board of Education of
Patchogue-Medford Union Free School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Patchogue-Medford Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $34,000,000 Tax Anticipation Note for 2018-2019 Taxes (the "Note"), dated and delivered the date hereof.

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

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

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

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

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

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

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

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

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

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

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

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

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

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 27, 2018.

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

"Securities" shall mean the Issuer's $34,000,000 Tax Anticipation Note for 2018-2019 Taxes, dated September 27, 2018, maturing on June 25, 2019, and delivered on the date hereof.

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

(1) principal and interest payment delinquencies;

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

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

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

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

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

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

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

(9) defeasances;

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

(11) rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this

Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 27, 2018.**

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

By_____
President of the Board of Education