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 12, 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.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT AT BROOKHAVEN
SUFFOLK COUNTY, NEW YORK

$20,000,000* TAX ANTICIPATION NOTES FOR 2018 – 2019 TAXES
(the "Notes")

Date of Issue: October 2, 2018 **Maturity Date: June 27, 2019**

The Notes are general obligations of the South Country Central School District at Brookhaven, 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 and, at the option of the purchaser, the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued in registered form 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 *"Description of Book-Entry System"* herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 20, 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 October 2, 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.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT AT BROOKHAVEN
SUFFOLK COUNTY, NEW YORK

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Dr. Sam Gergis, Assistant Superintendent for Finance and Management Services
Christine Flynn, District Clerk
Christine Johnson, District Treasurer

School District Attorney

Guercio & Guercio, LLP
Farmingdale, New York

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

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

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OFFICIAL STATEMENT

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT AT BROOKHAVEN
SUFFOLK COUNTY, NEW YORK

Relating To

$20,000,000* 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 South Country Central School District at Brookhaven in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $20,000,000* 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: Dr. Sam Gergis; Assistant Superintendent for Business, South Country Central School District at Brookhaven, 189 Dunton Avenue, East Patchogue, NY 11772, telephone number 631/730-1520, email: sgergis@southcountry.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 registered book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

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

*Preliminary, subject to change.

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 is located approximately 60 miles east of New York City in the southwestern section of the Town of Brookhaven (the "Town"), and encompasses approximately 16 square miles. The District's current population is estimated at 31,265, with a current enrollment of 4,319 students. The District includes the areas of former Brookhaven School Districts No. 27 (East Patchogue), No. 28 (Bellport) and No. 29 (Brookhaven). The entirety of the incorporated Village of Bellport (the "Village") lies within the confines of the District as well as unincorporated areas of the Town of Brookhaven. The District originally began operations in 1956 and experienced considerable growth through the mid-1960's. In 1987, the District annexed the South Haven School District, which was located to the east of the District as then constituted.

The District is served by the Long Island Rail (M.T.A.), which maintains stations at Bellport and at nearby Patchogue. There is an excellent interior network of roads, including the Montauk and Sunrise Highways, which traverse the District in an east-west direction. The Long Island Expressway passes just north of the District boundary.

The area is served by the Suffolk County Water Authority; gas and electricity are supplied by PSEG Long Island. Police protection is provided by the Suffolk County Police Department and fire protection by three local fire districts. Banking facilities are provided by Capital One, N.A., TD Bank, N.A., HSBC Bank, JPMorgan Chase Bank, N.A. and Bank of America.

The District area is essentially residential and has a number of shopping centers located throughout, as well as some diversified light industry. A list of the largest taxpayers and major employers in the District is set forth in this Official Statement.

District Organization

District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District held in the spring of each year. The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Finance and Management Services.

Enrollment History

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

School Year	School Enrollment
2014	4,576
2015	4,526
2016	4,531
2017	4,528
2018	4,319

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2019	4,235
2020	4,198
2021	4,103

Source: District Officials.

District Facilities

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

Name of School	Type	Date of Construction	Capacity	Date of Last Addition
Bellport High School	9-12	1964	2,000	1971
Bellport Middle School	6-8	1958	1,500	1971
Brookhaven Elementary School	K-3	1950	800	1971
Verne Critz Elementary School	K-3	1953	570	1957
Kreamer Street Elementary School	K-3	1953	550	1961
Frank P. Long Elementary School	4-5	1958	800	1971
South Haven Elementary School	N/A		N/A	
Administration Buildings	N/A		N/A	
Misc. Facilities (Storage, Field House, etc.)	N/A		N/A	

Employees

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

Name of Union	Expiration Date of Contract	Approx. No. of Members
Bellport Teachers Association	06/30/2019	427
Bellport Teacher Aides Association	08/31/2019	164
Civil Service Employees Association	06/30/2019	129
Administrators Association [a]	06/30/2019	21

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

Year	District	Brookhaven Town	Suffolk County	New York State
1990	-	407,786	1,321,864	17,990,455
2000	-	448,248	1,419,369	18,976,457
2010	28,965	486,040	1,493,350	19,378,102
2016	31,265	488,123	1,498,130	19,697,457

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2016[a]
District	-	-	$30,585	$32,566
Town of Brookhaven	$16,726	$24,191	33,324	36,011
County of Suffolk	18,481	26,577	35,755	38,779
State of New York	16,501	23,389	30,948	34,212

	Median Household Income			
	1990	2000	2010	2016[a]
District	-	-	$78,101	$71,511
Town of Brookhaven	$47,074	$62,475	81,654	87,728
County of Suffolk	49,128	65,288	84,235	90,128
State of New York	32,965	43,393	54,148	60,741

Source: United States Bureau of the Census.

a. Based on American Community Survey 5-Year Estimate (2012-2016).

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven. The information set forth below with respect to such Town and the County of Suffolk is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the District is necessarily representative of the Town or the County, 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	4.8	4.8	5.3
2016	4.4	4.3	4.8
2017	4.5	4.5	4.7
2018 (6 Month Average)	4.4	4.4	4.5

Source: Department of Labor, State of New York.

Selected Listing of Larger Employers in the Town of Brookhaven
(As of 2017)

Largest employers are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven.

Name	Type of Business	Estimated Number of Employees
State University at Stony Brook	Education	14,000
Stony Brook University Medical Center	Medical Center	7,500
Brookhaven National Laboratory	Laboratory	3,350
John T. Mather Hospital	Hospital	2,180
Brookhaven Memorial Hospital	Hospital	1,750
Three Village Central School District	Education	1,650
William Floyd Union Free School District	Education	1,650
St. Charles Hospital	Hospital	1,600
Zebra Technologies	Commercial	1,029
Quality King Distributors	Commercial	880
Amneal Pharmaceuticals	Commercial	681

Source: Town of Brookhaven.

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 12, 2018)

In Town of:	Assessed Valuation	State Equalization Rate	Full Valuation
Brookhaven (2017-2018)[a]	$26,156,182	0.90%	$2,906,242,444
Debt Limit - 10% of Full Valuation			$290,624,244
Inclusions:[b]			
Outstanding Bonds			59,245,000
Bond Anticipation Notes			0
Total Indebtedness			59,245,000
Exclusions (Estimated Building Aid)[c]			45,144,690
Total Net Indebtedness			14,100,310
Net Debt Contracting Margin			$276,523,934
Per Cent of Debt Contracting Margin Exhausted			4.85%

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

Details of Short-Term Indebtedness Outstanding

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

Trend of Outstanding Indebtedness
(As of June 30:)

	2014	2015	2016	2017	2018
Bonds	$94,240,000	$84,885,000	$75,640,000	$68,565,000	$62,040,000
BANs	-	-	-	-	-
Other	-	-	-	-	-
Total	$94,240,000	$84,885,000	$75,640,000	$68,565,000	$62,040,000

Source: Audited Financial Statements.

Debt Service Requirements - Outstanding Bonds [a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2019	$5,255,000	$2,507,525	$7,762,525
2020	5,150,000	2,321,450	7,471,450
2021	5,205,000	2,115,725	7,320,725
2022	5,515,000	1,875,950	7,390,950
2023	5,595,000	1,640,550	7,235,550
2024	5,625,000	1,402,975	7,027,975
2025	5,875,000	1,135,425	7,010,425
2026	5,925,000	858,950	6,783,950
2027	5,810,000	590,950	6,400,950
2028	3,260,000	376,050	3,636,050
2029	2,490,000	242,300	2,732,300
2030	2,475,000	152,925	2,627,925
2031	2,445,000	79,125	2,524,125
2032	1,415,000	21,225	1,436,225
Totals	$62,040,000	$15,321,125	$77,361,125

a. Does not include payments made to date.

Tax Anticipation Notes

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

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

Fiscal Year Ending June 30:	Amount	Issue	Maturity
2014	$21,000,000	09/26/2013	06/26/2014
2015	21,000,000	10/09/2014	06/25/2015
2016	21,000,000	10/16/2014	06/27/2016
2017	23,000,000	09/20/2016	06/27/2017
2018	21,000,000	09/28/2017	06/27/2018

Authorized and Unissued Debt

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

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	05/25/2018	0.97	$22,505,013	$12,224,931
Town of Brookhaven	06/20/2018	4.21	24,063,198	22,689,265
Village of Bellport	05/31/2017	100.00	1,818,659	1,818,659
Fire District (Est.)	12/31/2016	100.00	1,349,729	1,349,729
Totals			$49,736,599	$38,082,583

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 12, 2018)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$ 59,245,000	$1,895	2.039
Net Direct Debt	14,100,310	451	0.485
Total Direct & Applicable Total Overlapping Debt	108,981,599	3,486	3.750
Net Direct & Applicable Net Overlapping Debt	52,182,893	1,669	1.796

a. The current population of the District is 31,265.
b. The full valuation of taxable property is $2,906,242,444.

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	$108,956,675	$48,287,613	44.32
2014	112,152,206	48,916,966	43.62
2015	114,632,266	49,997,660	43.62
2016	116,570,916	50,623,409	43.43
2017	121,942,730	55,229,959	45.29
2018 (Budgeted)[a]	129,595,729	56,325,018	43.46
2019 (Budgeted)[a]	132,158,005	57,164,992	43.26

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

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein). The District received STAR aid in January, 2018.

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 prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

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 $4.48 million.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. 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: 6.7%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local school district officials manage school district resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local school district statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released December 22, 2017. The purpose of such audit was to determine whether District Officials maintained complete and accurate inventory records to safeguard information technology assets for the period July 1, 2016 through June 30, 2017. The complete report, together with the District's response, may be found on the OSC'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 2019 fiscal year.

Fiscal Year Ending June 30:	TRS	ERS
2014	$5,346,865	$1,480,334
2015	7,669,379	1,335,908
2016	6,498,800	1,026,126
2017	5,924,783	1,044,934
2018	5,204,837	1,050,211
2019 (Budgeted)	6,467,325	1,377,513

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 Ending June 30, 2017:
Annual required contribution (ARC)	$14,499,309
Interest on net OPEB obligation	2,933,178
Less: Adjustments to ARC	(4,077,548)
Annual OPEB cost (expense)	13,354,939
Less: Contributions made	(6,054,598)
Increase in net OPEB obligation	7,300,341
Net OPEB obligation-beginning of year	73,329,458
Net OPEB obligation-end of year	$80,629,799

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	$13,354,939	45.3	$80,629,799
June 30, 2016	13,087,638	40.6	73,329,458
June 30, 2015	12,631,254	34.2	65,553,154

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 Southampton. 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	Real Property Taxes to Revenues (%)
2013	$108,956,675	$48,209,103	44.25
2014	112,152,206	48,625,990	43.36
2015	114,632,266	49,929,623	43.56
2016	116,570,916	50,898,535	43.66
2017	121,942,730	51,446,239	42.19
2018 (Budgeted)[a]	129,595,729	59,032,115	45.55
2019 (Budgeted)[a]	132,158,005	60,217,689	45.56

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

Tax Collection Procedure

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

The Town Tax Receiver 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 6% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 6% 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.

	2014	2015	2016	2017	2018
Town of Brookhaven					
Assessed Valuation	$26,238,402	$26,277,053	$25,982,597	$26,004,873	$26,156,182
Equalization Rate	0.95%	0.95%	0.95%	0.91%	0.90%
Full Valuation	$2,761,937,053	$2,766,005,579	$2,735,010,211	$2,857,678,352	$2,906,242,444
Tax Levy	$48,625,990	$49,929,623	$49,768,834	$51,389,887	$52,657,997
Tax Rate Per $100 of Assessed Valuation	$185.32	$190.01	$191.55	$197.62	$225.34

Source: Town of Brookhaven Tax Rate Sheet.

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

Name	Type	Assessed Valuation
Atlantic Point LL LLC	Commercial	$628,020
LIPA	Utility	554,625
Centro NP Sunshine Square LLC	Professional Building	229,150
La Bonne Vie Associates	Commercial	200,000
LBW Bellport LLC	Commercial	142,350
Sinkoff Realty, LLC	Real Estate	138,240
Keyspan	Utility	125,099
Bellhaven Property LLC	Commercial	105,200
LBV Realty Corp.	Real Estate	104,500
Brookhaven Professional Park	Commercial	96,415
Verizon	Utility	91,094
Brookwood Senior LLC	Commercial	77,000
Patchogue Senior Apartments LLC	Commercial	71,725
CCP Brookhaven 7581 LLC	Commercial	68,900
Sunrise Station LLC C/O Home Depot	Commercial	62,650
	Total[a]	$2,694,968

a. Represents 10.30% of the total assessed valuation of the District for 2017-2018.
Source: Town Assessment Rolls.

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

Prior Compliance History

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2013	12/20/2013	12/20/2013
2014	12/23/2014	11/19/2014
2015	12/22/2015	11/12/2015
2016	12/22/2016	12/20/2016
2017	12/07/2017	11/13/2017

On September 10, 2014, the District filed a material event notice regarding a failure to file for a Moody's upgrade. On June 15, 2011, the outstanding bonds that were rated by Moody's were upgraded from "A2" to "A1." A material event notice was not filed at the time.

On November 7, 2014, the District filed a material event notice regarding a failure to file for a Standard & Poor's Corporation ("S&P") upgrade. On October 23, 2013, the outstanding bonds that were rated by S&P were upgraded from "A+" to "AA." A material event notice was not filed at the time.

On January 15, 2015 the District filed a material event notice for the failure to file S&P insurance downgrades with respect to certain bond issues. On October 25, 2010 Assured Municipal Guaranty was downgraded from "AAA" to "AA+" and on November 30, 2011 Assured Municipal Guaranty was downgraded from "AA+" to "AA-".

The District has self-reported under the terms of the SEC Municipalities Continuing Disclosure Corporation Initiative Program that it did not disclose a rating upgrade from Moody's Investor Service on June 15, 2011 and a rating upgrade from Standard & Poor's Corporation on October 23, 2013.

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

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

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

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

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

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

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

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

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

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. 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. S&P Global Ratings ("S&P"), 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, has assigned a rating of "AA" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Assistant Superintendent for Business, Dr. Sam Gergis, South Country Central School District at Brookhaven, 189 Dunton Avenue, East Patchogue, NY 11772, telephone number 631/730-1520, email: sgergis@southcountry.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 CHERYL A. FELICE
President of the Board of Education
South Country Central School District at Brookhaven
East Patchogue, New York

September , 2018

APPENDIX A

FINANCIAL INFORMATION

SOUTH COUNTRY C NTRAL SCHOOL D STR CT

Statement o Revenues penditures and Fund alances
eneral Fund

	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	$ 48,209,103	$ 48,625,990	$ 49,929,623	$ 50,898,535	$ 51,446,239
Other Real Property Tax Items	11,082,762	13,755,399	13,492,422	13,708,367	13,696,510
Charges for Services	288,609	316,785	391,323	252,892	398,564
Use of Money and Property	198,906	192,771	193,174	168,044	276,790
Sale of Property and Compensation for Loss	42,101	7,170	118,978	16,802	4,558
Miscellaneous	643,369	275,551	379,251	851,944	831,617
State Sources	48,287,613	48,916,966	49,997,660	50,623,409	55,229,959
Medicaid Reimbursement		61,574	111,482	45,123	58,493
Federal Sources	204,212		18,353	5,800	
Total Revenues	108,956,675	112,152,206	114,632,266	116,570,916	121,942,730
Other Sources:					
Interfund Transfers	0	0	0	0	0
Total Other Sources	0	0	0	0	0
Total Revenues & Other Sources	108,956,675	112,152,206	114,632,266	116,570,916	121,942,730
Expenditures:					
General Support	10,365,427	10,459,877	10,504,782	10,858,332	11,094,167
Instruction	55,229,168	56,559,769	58,279,079	61,020,695	62,519,905
Pupil Transportation	7,667,335	7,824,038	7,316,036	7,424,405	8,079,811
Employee Benefits	24,250,093	27,912,900	28,027,975	27,213,217	27,426,430
Debt Service	10,132,180	9,932,140	9,844,882	10,101,165	9,985,376
Total Expenditures	107,644,203	112,688,724	113,972,754	116,617,814	119,105,689
Other Uses:					
Interfund Transfers	80,445	160,136			
Premium of Obligation			138,090		
Operating Transfer In					167,142
Operating Transfers (out)			2,000,000	(299,269)	(394,607)
Payment to Escrow Agent (Refunding Bonds)	0	0	(1,693,450)		
Total Other Uses	80,445	160,136	444,640	(299,269)	(227,465)
Total Expenditures & Other Uses	107,724,648	112,848,860	114,417,394	116,318,545	118,878,224
Excess (Deficit) Revenues & Other Sources Over Expenditures & Other Uses	1,232,027	(696,654)	1,104,152	(346,167)	2,609,576
Auditors' Prior Period Adjustments	0	0	0	0	0
Fund Balances Beg. of Fiscal Year	22,502,695	23,734,722	23,038,068	24,142,220	23,796,053
Fund Balances End of Fiscal Year	$ 23,734,722	$ 23,038,068	$ 24,142,220	$ 23,796,053	$ 26,405,629

Source: Audited Annual Financial Reports of the District.
NOTE: This table NOT audited

SOUTH COUNTRY C NTRAL SCHOOL D STR CT

alance S eet - eneral Fund

	2016	2017
ASSETS:		
Cash & Investments	$ 30,898,952	$ 32,609,325
Accounts Receivable	140,564	53,026
Due From Other Funds	2,471,681	3,433,845
Due From Other Governments	330,680	485,516
Due From State and Federal	4,596,109	4,195,393
Total Assets	$ 38,437,986	$ 40,777,105
LIABILITIES & DEFERRED REVENUE:		
Accounts Payable	$ 1,327,199	$ 1,998,540
Accrued Liabilities	488,891	435,115
Due to Other Funds	3,160,137	3,194,846
Due to Other Governments		5,328
Due to Teacher Retirement Systems	6,498,800	5,924,783
Due to Employee Retiremnet System	249,398	261,233
Compensated Absences	499,110	431,015
Deferred Revenues	2,408,316	2,110,534
Collections in Advance	10,082	10,082
Total Liabilities & Deferred Revenue	14,641,933	14,371,476
FUND EQUITY:		
Non Spendable		
Restricted	14,034,586	16,405,388
Assigned	4,709,611	4,816,412
Unassigned	5,051,856	5,183,829
Total Fund Equity and Other Credits	23,796,053	26,405,629
Total Liabilities and Fund Equity	$ 38,437,986	$ 40,777,105

Source: Audited Annual Financial Reports of the District.
NOTE: This table NOT audited

SOUTH COUNTRY C NTRAL SCHOOL D STR CT

udget Summaries

	2017-18[b]	2018-19[b]
Revenues:		
Real Property Taxes	$ 59,032,115	$ 60,217,689
PILOT	7,209,352	7,549,675
State Aid	56,325,018	57,164,992
Miscellaneous Items	2,254,000	3,227,000
Reserve Appropriations	4,175,244	0
Appropriated Fund Balance	600,000	3,998,649
Total	$ 129,595,729	$ 132,158,005
Expenditures:		
General Support	$ 12,150,730	$ 13,085,276
Instruction	68,898,065	70,478,340
Pupil Transportation	8,185,135	8,395,689
Employee Benefits	30,706,399	31,861,175
Interfund Transfer	150,000	325,000
Debt Service	9,505,400	8,012,525
Total	$ 129,595,729	$ 132,158,005

a. Approved by the voters of the District on May 16, 2017
b. Approved by the voters of the District on May 15, 2018

Sources: Adopted Budget of the District

APPENDIX B

CASH FLOW SUMMARIES

CASH FLOW SUMMARY 2017-18 Actual (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance*	18,532	10,852	7,641	23,753	13,670	6,963	2,988	22,169	24,973	34,511	30,696	29,091	18,532
Receipts													
Property Taxes - School	0	2	0	0	0	995	24,559	6,924	765	612	1,760	17,135	52,752
Property Taxes - Library	0	0	0	0	0	63	1,564	441	49	39	112	1,091	3,359
STAR Reimbursement	0	0	0	0	0	0	6,283	0	0	0	0	0	6,283
PILOTS	5	0	163	0	35	0	43	3,599	54	0	604	3,615	8,118
State Aid	128	1,147	5,035	1,075	4,133	5,635	453	878	19,261	3,634	9,223	3,460	54,062
Boces	0	0	0	560	0	0	241	0	0	0	0	710	1,511
Interest	12	7	5	7	14	9	9	12	16	17	22	20	150
Transfers	0	0	0	0	0	0	0	0	0	0	2,421	0	2,421
Other Receipts	13	44	46	51	58	38	127	140	125	63	88	39	832
TAN Proceeds			21,159										21,159
Total Receipts	158	1,200	26,408	1,693	4,240	6,740	33,279	11,994	20,270	4,365	14,230	26,070	150,647
Disbursements													
Salaries & Benefits	655	1,398	3,656	4,646	7,168	5,701	4,717	4,815	4,719	4,688	7,168	12,134	61,465
Other Expenses	3,848	3,013	5,365	4,257	3,136	5,014	6,719	2,372	5,248	2,327	4,487	4,584	50,370
Debt Service	2,935	0	0	2,873	643	0	2,251	0	0	553	0	0	9,255
SSBA	0	0	0	0	0	0	0	0	0	0	2,420	0	2,420
TAN Repayment Provision	0	0	0	0	0	0	0	728	765	612	1,760	17,135	21,000
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	314	314
Public Library	400	0	1,275	0	0	0	411	1,275	0	0	0	0	3,361
Total Disbursements	7,838	4,411	10,296	11,776	10,947	10,715	14,098	9,190	10,732	8,180	15,835	34,167	148,185
Balance	10,852	7,641	23,753	13,670	6,963	2,988	22,169	24,973	34,511	30,696	29,091	20,994	20,994
Note Repay Fund													
Balance	0	0	0	0	0	0	0	0	728	1,493	2,105	3,865	0
Receipts	0	0	0	0	0	0	0	728	765	612	1,760	17,135	21,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	21,000	21,000
Balance	0	0	0	0	0	0	0	728	1,493	2,105	3,865	0	0

* The July 1, 2017 opening balance does not include approximately $14.08 million in Reserve Funds. Such Reserve funds are accounted for pursuant to Generally Accepted Accounting Principles in the District's General Fund, but it is the District's intent not to use these reserve funds to pay for Gereral Fund Operating Expenses.

CASH FLOW SUMMARY 2018-19 Projected (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance*	20,994	9,443	6,031	966	10,817	4,553	578	19,390	21,005	29,410	24,122	21,693	20,994
Receipts													
Property Taxes - School	0	0	0	0	0	995	24,559	6,924	765	612	1,760	18,320	53,935
Property Taxes - Library	0	0	0	0	0	63	1,564	441	49	39	112	1,149	3,417
STAR Reimbursement	0	0	0	0	0	0	6,283	0	0	0	0	0	6,283
PILOTS	5	0	163	0	35	0	43	3,599	54	0	604	3,047	7,550
State Aid	128	1,147	5,036	1,075	4,133	5,635	453	878	19,261	3,634	10,218	4,455	56,053
Boces	0	0	0	635	0	0	241	0	0	0	0	785	1,661
Due from other funds	600	0	5	7	0	0	0	0	0	0	0	400	1,012
Interest	12	7	46	51	14	9	9	12	16	17	22	20	235
Other Receipts	14	44	0	0	58	38	228	242	227	164	190	226	1,431
TAN Proceeds	0	0	0	20,000	0	0	0	0	0	0	0	0	20,000
Appropriated Fund Balance	0	0	0	0	0	0	0	0	0	0	0	3,998	3,998
Total Receipts	759	1,198	5,250	21,768	4,240	6,740	33,380	12,096	20,372	4,466	12,906	32,400	155,575
Disbursements													
Salaries & Benefits	655	1,397	3,656	4,646	7,168	5,701	4,718	4,815	4,719	4,688	7,168	12,134	61,465
Other Expenses	3,847	3,213	5,365	4,258	3,336	5,014	8,719	4,372	7,248	4,562	6,487	6,183	62,604
Debt Service	3,544	0	0	3,013	0	0	701	0	0	504	0	0	7,762
TAN Repayment Provision	0	0	0	0	0	0	0	0	0	0	1,680	18,320	20,000
TAN Interest Payments	0	0	0	0	0	0	0	0	0	0	0	251	251
Due to Other Funds	3,864	0	0	0	0	0	0	0	0	0	0	325	4,189
Public Library	400	0	1,294	0	0	0	430	1,294	0	0	0	0	3,418
Total Disbursements	12,310	4,610	10,315	11,917	10,504	10,715	14,568	10,481	11,967	9,754	15,335	37,213	159,689
Balance	9,443	6,031	966	10,817	4,553	578	19,390	21,005	29,410	24,122	21,693	16,880	16,880
Note Repay Fund													
Balance	0	0	0	0	0	0	0	0	0	0	0	1,680	0
Receipts	0	0	0	0	0	0	0	0	0	0	1,680	18,320	20,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	20,000	20,000
Balance	0	0	0	0	0	0	0	0	0	0	1,680	0	0

* The July 1, 2018 opening balance does not include approximately $15.5 million in Reserve Funds. Such Reserve funds are accounted for pursuant to Generally Accepted Accounting Principles in the District's General Fund, but it is the District's intent not to use these reserve funds to pay for Gereral Fund Operating Expenses.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT AT BROOKHAVEN

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.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
South Country Central School District
East Patchogue, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the South Country Central School District (District), as of and for the 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, as of June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 14 and 48 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Country Central School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the South Country Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Country Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 11, 2017

The South Country Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

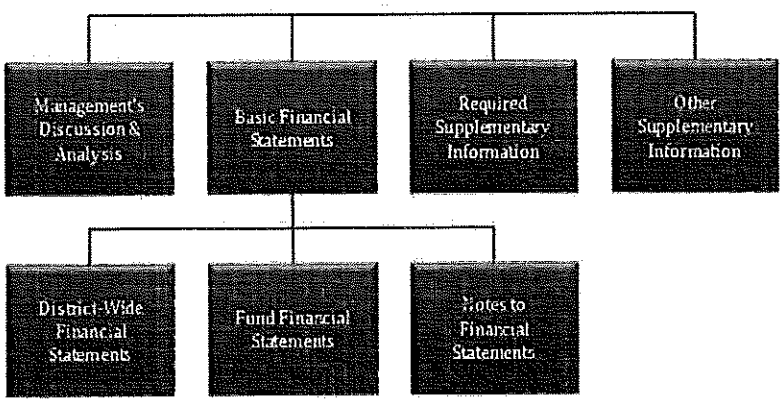
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position (deficit), improved in 2016-17 as there was an excess of revenues over expenses based on the accrual basis of accounting. This resulted in the total net position increasing by $1,065,370.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $128,699,535. Of this amount, $8,685,469 was offset by program charges for services, and operating and capital grants. General revenues of $121,079,436 amount to 93.3% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements was $26,405,629, which increased by $2,609,576. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting, primarily driven by an increase in state aid in 2016-17.
- The District's 2017 property tax levy of $57,852,321 was a 0.82% increase over the 2016 tax levy; the District's property tax cap was 0.82%.
- On May 16, 2017, the 2017-18 budget in the amount of $129,595,729 was approved by the District's voters.
- On May 17, 2016, the District's voters approved the establishment of a capital reserve, and authorized funding to a maximum amount of $10,000,000. District-wide improvements will be paid for with these funds. The District funded the capital reserve during 2016-17 with an additional $2,329,580, bringing the capital reserve balance at June 30, 2017 to a total of $2,623,615.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by $1,065,370 between fiscal year 2016 and 2017. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	$ 40,887,172	$ 38,687,341	$ 2,199,831	5.69 %
Capital Assets, Net	103,098,565	103,373,066	(274,501)	(0.27)%
Net Pension Asset - Proportionate Share		30,253,862	(30,253,862)	(100.00)%
Total Assets	143,985,737	172,314,269	(28,328,532)	(16.44)%
Deferred Outflows of Resources	36,362,742	14,084,428	22,278,314	158.18 %
Liabilities				
Current and Other Liabilities	10,284,148	9,717,318	566,830	5.83 %
Long-Term Liabilities	88,544,998	96,081,698	(7,536,700)	(7.84)%
Net Other Postemployment Benefits Obligation	80,629,799	73,329,458	7,300,341	9.96 %
Net Pension Liability - Proportionate Share	5,637,739	4,074,072	1,563,667	38.38 %
Total Liabilities	185,096,684	183,202,546	1,894,138	1.03 %
Deferred Inflows of Resources	1,958,279	10,968,005	(9,009,726)	(82.15)%

	2017	2016	Increase (Decrease)	Percentage Change
Net Position				
Net investment in capital assets	$ 34,533,565	$ 27,733,066	$ 6,800,499	24.52 %
Restricted	19,379,441	17,175,781	2,203,660	12.83 %
Unrestricted (Deficit)	(60,619,490)	(52,680,701)	(7,938,789)	(15.07)%
Total Net Position (Deficit)	$ (6,706,484)	$ (7,771,854)	$ 1,065,370	13.71 %

Current and other assets increased by $2,199,831, as compared to the prior year. The increase is primarily related to increases in cash and due from fiduciary funds. This was offset primarily by a decrease in due from state and federal.

Capital assets, net decreased by $274,501, as compared to the prior year. This decrease is due to depreciation expense in excess of capital additions in 2016-17. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share was eliminated in the current year as the New York State Teachers' Retirement System experienced a loss resulting in an ending balance that was a liability; therefore, the District's proportionate share is a liability.

Deferred outflows of resources represents contributions to the state retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years. Also, the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bonds.

Current and other liabilities increased by $566,830, as compared to the prior year. This increase is primarily related to increases in accounts payable, accrued liabilities and due to employees' retirement system. This was offset by decreases in due to teachers' retirement system and compensated absences payable.

Long-term liabilities decreased by $7,536,700, as compared to the prior year. This decrease is primarily attributable to the scheduled debt service payments during the fiscal year.

Net other postemployment benefits (OPEB) obligation increased by $7,300,341, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by $1,563,667 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

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

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

	Increase (Decrease)
Capital asset additions - total	$ 3,013,631
Principal debt reduction of construction bonds	7,075,000
Depreciation expense	(3,288,132)
	$ 6,800,499

The restricted amount of $19,379,441 relates to the District's reserves. This number increased over the prior year by $2,203,660, principally due to the funding of the capital reserve, and as a result of interest earned on the reserves.

The unrestricted deficit amount of $(60,619,490) relates to the balance of the District's net position. This balance is reflective of unfunded long-term liabilities. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by $7,938,789.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	$ 973,806	$ 811,656	$ 162,150	19.98 %
Operating Grants	5,111,706	5,370,493	(258,787)	(4.82)%
Capital Grants	2,599,957		2,599,957	100.00 %
General Revenues				
Property Taxes and STAR	57,852,321	57,381,312	471,009	0.82 %
State Sources	54,765,229	50,012,772	4,752,457	9.50 %
Other	8,461,886	8,307,503	154,383	1.86 %
Total Revenues	129,764,905	121,883,736	7,881,169	6.47 %
Expenses				
General Support	14,731,579	13,623,711	1,107,868	8.13 %
Instruction	100,750,427	93,073,141	7,677,286	8.25 %
Pupil Transportation	8,423,644	7,755,643	668,001	8.61 %
Debt Service - Interest	2,788,560	2,673,551	115,009	4.30 %
Food Service Program	2,005,325	1,934,955	70,370	3.64 %
Total Expenses	128,699,535	119,061,001	9,638,534	8.10 %
Increase in Net Position	$ 1,065,370	$ 2,822,735	$ (1,757,365)	(62.26)%

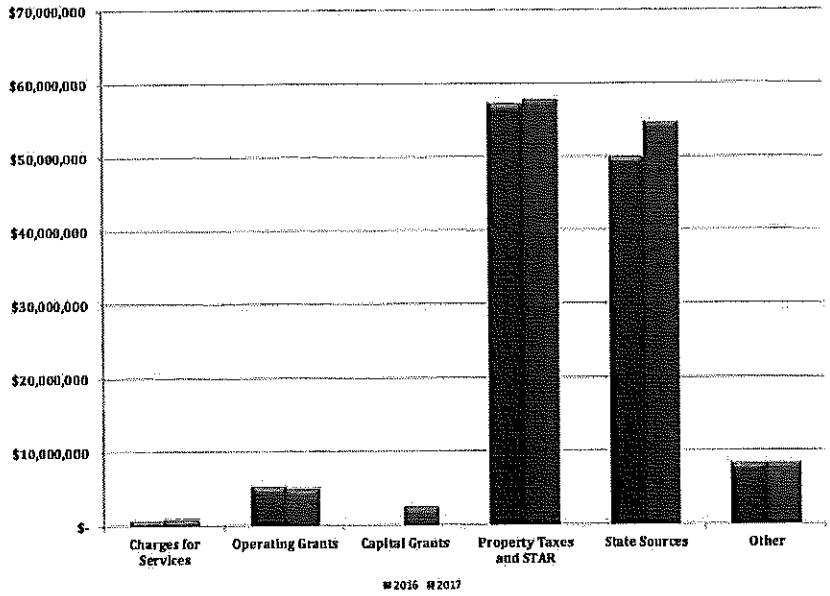
The District's net position increased by $1,065,370 and $2,822,735 for the years ended June 30, 2017 and 2016, respectively.

The District's revenues increased by $7,881,169 or 6.47%. The major factors that contributed to the increase were:

- Capital grants of $2,599,957 received related to the Smart Schools Bond Act reimbursement of capital expenditures.
- State sources increased $4,752,457 or 9.50%, primarily due to the increase in basic formula aid and the restoration of the Gap elimination.

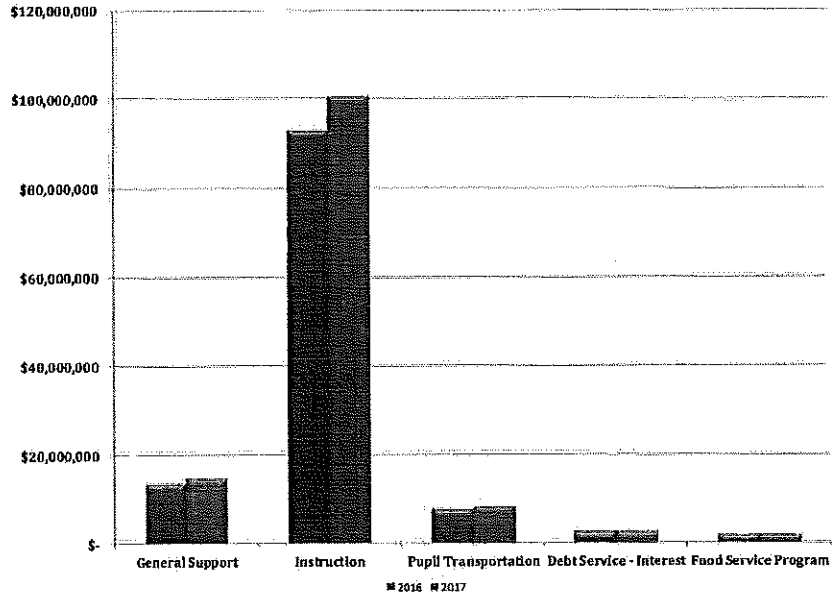
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 44.6% and 47.1% of the total for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.3% of the total for both years).

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2016	0.7%	4.4%	0.0%	47.1%	41.0%	6.8%
2017	0.8%	3.9%	2.0%	44.6%	42.2%	6.5%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2016	11.4%	78.3%	6.5%	2.2%	1.6%
2017	11.4%	78.3%	6.5%	2.2%	1.6%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of $29,483,476, which is an increase of $2,479,701 from the prior year. This increase is due to revenues exceeding expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
General Fund			
Restricted:			
Workers' compensation	$ 2,683,647	$ 2,675,620	$ 8,027
Unemployment insurance	1,020,420	1,017,368	3,052
Retirement contribution	3,963,837	3,951,981	11,856
Property loss and liability	487,914	486,455	1,459
Employee benefit accrued liability	5,625,955	5,609,127	16,828
Capital	2,623,615	294,035	2,329,580
Assigned:			
Appropriated fund balance	4,175,244	4,500,000	(324,756)
Unappropriated fund balance	641,168	209,611	431,557
Unassigned: Fund balance	5,183,829	5,051,856	131,973
	26,405,629	23,796,053	2,609,576
School Food Service Fund			
Nonspendable: Inventory	11,036	8,476	2,560
Assigned: Unappropriated fund balance	92,758	58,051	34,707
	103,794	66,527	37,267

	2017	2016	Increase (Decrease)
Debt Service Fund			
Restricted: Debt service	$ 2,974,053	$ 3,141,195	$ (167,142)
Total Fund Balance	$ 29,483,476	$ 27,003,775	$ 2,479,701

A. General Fund

The net change in the general fund – fund balance is an increase of $2,609,576, compared to a $346,167 decrease in the prior year, as revenues and other sources of $122,109,872 exceeded expenditures and other used of $119,500,296. Revenues increased by $5,538,956 (4.75%) over fiscal 2016 totals, primarily because of the increase in state sources of $4,606,550. Expenditures and other uses increased $2,583,213 (2.21%) over fiscal 2016 totals, primarily due to increases in instruction ($1,499,210), pupil transportation ($655,406) and general support ($235,835), offset by the decrease of $115,789 in debt service.

The increase in restricted reserves is the result of funding the capital reserve and interest income allocated to the reserves.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of $37,267, which was the result of the net profit in the food service program, giving effect to the budgetary transfer of $171,345.

C. Debt Service Fund

The net change in the debt service fund-fund balance is a decrease of $167,142, which was the result of the budgeted transfer to the general fund to offset bond principal costs.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was $126,296,440. This amount was increased by encumbrances carried forward from the prior year in the amount of $209,611 and budget revisions in the amount of $20,000, for a total final budget of $126,526,051.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $57,852,321 in estimated property taxes and STAR and $55,239,057 in estimated state aid.

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

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

Opening, Unassigned Fund Balance	$ 5,051,856
Revenues Over Budget	293,432
Expenditures and Encumbrances Under Budget	6,384,587
Net Change in Restricted Fund Balances	(2,370,802)
Appropriated for the June 30, 2018 Budget	(4,175,244)
Closing, Unassigned Fund Balance	$ 5,183,829

Opening, Unassigned Fund Balance

The $5,051,856 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 4.0% of the District's 2016-17 approved operating budget of $126,296,440.

Revenues Over Budget

The 2016-17 final budget for revenues was $121,816,440. Actual revenues received for the year were $122,109,872. The excess of actual revenue over estimated or budgeted revenue was $293,432, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was $126,526,051. Actual expenditures as of June 30, 2017 were $119,500,296 and outstanding encumbrances were $641,168. Combined, the expenditures plus encumbrances for 2016-17 were $120,141,464. The final budget was under expended by $6,384,587. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Net Change in Restricted Fund Balances

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

The voters approved a capital reserve in the ultimate amount of $10,000,000 on May 17, 2016. The District funded $2,328,698 into the capital reserve, and interest income of $42,104 was allocated to reserves.

Appropriated Fund Balance

The District has chosen to use $4,175,244 of the available June 30, 2017 fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2017 was $5,183,829. This amount equals 4.0% of the 2017-18 budget and is the maximum fund balance permitted by law.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of $3,288,132 in excess of capital additions of $3,013,631 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Land	$ 236,563	$ 236,563	$ -
Construction in progress		93,660	(93,660)
Buildings and improvements	98,713,123	101,696,103	(2,982,980)
Site improvements	564,520	550,683	13,837
Furniture and equipment	3,414,689	723,876	2,690,813
Vehicles	169,670	72,181	97,489
Capital assets, net	$ 103,098,565	$ 103,373,066	$ (274,501)

B. Debt Administration

At June 30, 2017, the District had total bonds payable of $68,565,000. The bonds were issued for school building improvements and to advance refund bonds, which had been issued to finance school building improvements. The decrease in outstanding debt represents the impact of current year principal payments. There were no new issuances of bonds during the year ended June 30, 2017. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2006	4.13%	$	$ 2,400,000	$ (2,400,000)
2007	4.13%	630,000	1,235,000	(605,000)
2010	3.00-4.00%	4,325,000	6,400,000	(2,075,000)
2015	3.00-5.00%	25,925,000	26,095,000	(170,000)
2015	2.00-3.00%	955,000	1,875,000	(920,000)
2015	2.00-3.00%	525,000	1,030,000	(505,000)
2016	2.00-5.00%	36,205,000	36,605,000	(400,000)
		$ 68,565,000	$ 75,640,000	$ (7,075,000)

The District's latest underlying, long-term credit rating from S&P Global Ratings is AA.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net other postemployment benefits obligation and net pension liability – proportionate share. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net other postemployment benefits obligation, and the net pension liability – proportionate share are based on actuarial valuations.

	2017	2016	Increase (Decrease)
Compensated absences	$ 8,797,969	$ 8,422,616	$ 375,353
Workers' compensation	3,265,169	2,882,180	382,989
Net OPEB obligation	80,629,799	73,329,458	7,300,341
Net pension liability - proportionate share	5,637,739	4,074,072	1,563,667
	$ 98,330,676	$ 88,708,326	$ 9,622,350

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is $129,595,729. This is an increase of $3,299,289 or 2.61% over the previous year's budget. The increase is primarily in the instruction area of the budget.

The District budgeted revenues other than property taxes at a $2,444,251 increase over the prior year. This increase is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the June 30, 2018 budget in the amount of $4,175,244 is a $324,756 decrease from the prior year. A property tax increase of 2.04% was needed to cover the increase in projected expenditures.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 2.0%. The District's 2017-18 property tax increase was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

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

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

8. CONTACTING THE DISTRICT

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

Dr. Sam Gergis
Assistant Superintendent for Finance and Management Services
South Country Central School District
189 Dunton Avenue
East Patchogue, NY 11772

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

ASSETS	
Cash	
Unrestricted	$ 14,494,897
Restricted	19,379,441
Receivables	
Accounts receivable	53,315
Due from fiduciary funds	773,554
Due from state and federal	5,689,413
Due from other governments	485,516
Inventories	11,036
Capital assets:	
Not being depreciated	236,563
Being depreciated, net of accumulated depreciation	102,862,002
Total Assets	143,985,737
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advance refunding	3,629,002
Pensions	32,733,740
Total Deferred Outflows of Resources	36,362,742
LIABILITIES	
Payables	
Accounts payable	2,211,518
Accrued liabilities	1,426,101
Due to other governments	6,728
Due to teachers' retirement system	5,924,783
Due to employees' retirement system	261,233
Compensated absences payable	431,015
Unearned credits	
Collections in advance	22,770
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	7,711,134
Compensated absences payable	1,180,019
Due and payable after one year	
Bonds payable, net	68,770,726
Compensated absences payable	7,617,950
Workers' compensation liabilities	3,265,169
Net other postemployment benefits obligation	80,629,799
Net pension liability - proportionate share	5,637,739
Total Liabilities	185,096,684
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,958,279
NET POSITION (DEFICIT)	
Net investment in capital assets	34,533,565
Restricted	
Workers' compensation	2,683,647
Unemployment insurance	1,020,420
Retirement contribution	3,963,837
Property loss and liability	487,914
Employee benefit accrued liability	5,625,955
Capital	2,623,615
Debt service	2,974,053
	19,379,441
Unrestricted (deficit)	(60,619,490)
Total Net Position (Deficit)	$ (6,706,484)

See Notes to Financial Statements

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ 14,731,579	$	$	$	$ (14,731,579)
Instruction	100,750,427	565,512	3,683,797	2,599,957	(93,901,161)
Pupil transportation	8,423,644				(8,423,644)
Debt service - interest	2,788,560				(2,788,560)
Food service program	2,005,325	408,294	1,427,909		(169,122)
Total Functions and Programs	$ 128,699,535	$ 973,806	$ 5,111,706	$ 2,599,957	(120,014,066)
GENERAL REVENUES					
Real property taxes					51,446,239
Other tax items					13,696,510
Use of money and property					276,790
Sale of property and compensation for loss					4,558
Miscellaneous					831,617
State sources					54,765,229
Medicaid reimbursement					58,493
Total General Revenues					121,079,436
Change in Net Position					1,065,370
Total Net Position (Deficit) - Beginning of Year					(7,771,854)
Total Net Position (Deficit) - End of Year					$ (6,706,484)

See Notes to Financial Statements

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 13,229,884	$ 80,459	$ 171,261	$	$ 1,013,293	$ 14,494,897
Restricted	19,379,441					19,379,441
Receivables						
Accounts receivable	53,026		289			53,315
Due from other funds	3,433,845	49,449	171,345	2,974,053		6,628,692
Due from state and federal	4,195,393	1,387,446	84,602		21,972	5,689,413
Due from other governments	485,516					485,516
Inventories			11,036			11,036
Total Assets	$ 40,777,105	$ 1,517,354	$ 438,533	$ 2,974,053	$ 1,035,265	$ 46,742,310
LIABILITIES						
Payables						
Accounts payable	$ 1,998,540	$ 117,615	$ 95,363	$	$	$ 2,211,518
Accrued liabilities	435,115					435,115
Due to other funds	3,194,846	1,387,051	237,976		1,035,265	5,855,138
Due to other governments	5,328		1,400			6,728
Due to teachers' retirement system	5,924,783					5,924,783
Due to employees' retirement system	261,233					261,233
Compensated absences payable	431,015					431,015
Unearned credits						
Collections in advance	10,082	12,688				22,770
Total Liabilities	12,260,942	1,517,354	334,739	-	1,035,265	15,148,300
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	2,110,534				-	2,110,534
FUND BALANCES						
Nonspendable: Inventories			11,036			11,036
Restricted:						
Workers' compensation	2,683,647					2,683,647
Unemployment insurance	1,020,420					1,020,420
Retirement contribution	3,963,837					3,963,837
Property loss and liability	487,914					487,914
Employee benefit accrued liability	5,625,955					5,625,955
Capital	2,623,615					2,623,615
Debt service				2,974,053		2,974,053
Assigned:						
Appropriated fund balance	4,175,244					4,175,244
Unappropriated fund balance	641,168		92,758			733,926
Unassigned: Fund balance	5,183,829					5,183,829
Total Fund Balances	26,405,629	-	103,794	2,974,053	-	29,483,476
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 40,777,105	$ 1,517,354	$ 438,533	$ 2,974,053	$ 1,035,265	$ 46,742,310

See Notes to Financial Statements

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Fund Balances		$ 29,483,476
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The costs of building and acquiring capital assets (land, building and improvements, site improvements, furniture and equipment and vehicles) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 158,710,235	
Accumulated depreciation	(55,611,670)	
		103,098,565
Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.		3,629,002
Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	32,733,740	
Net pension liability - teachers' retirement system	(3,207,372)	
Net pension liability - employees' retirement system	(2,430,367)	
Deferred inflows of resources	(1,958,279)	
		25,137,722
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		2,110,534
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(990,986)	
Bonds payable and premium on refunding	(76,481,860)	
Compensated absences payable	(8,797,969)	
Workers' compensation liabilities	(3,265,169)	
Net other postemployment benefits obligation	(80,629,799)	
		(170,165,783)
Total Net Position (Deficit)		$ (6,706,484)

See Notes to Financial Statements

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 51,446,239	$	$	$	$	$ 51,446,239
Other tax items	13,696,510					13,696,510
Charges for services	398,564					398,564
Use of money and property	276,790					276,790
Sale of property and compensation for loss	4,558					4,558
Miscellaneous	831,617		14,104			845,721
State sources	55,229,959	1,494,041	40,935		2,599,957	59,364,892
Medicaid reimbursement	58,493					58,493
Federal sources		2,189,756	1,386,974			3,576,730
Sales			394,190			394,190
Total Revenues	121,942,730	3,683,797	1,836,203	-	2,599,957	130,062,687
EXPENDITURES						
General support	11,094,167					11,094,167
Instruction	62,519,905	3,682,947				66,202,852
Pupil transportation	8,079,811	224,112				8,303,923
Employee benefits	27,426,430					27,426,430
Debt service						
Principal	7,075,000					7,075,000
Interest	2,910,376					2,910,376
Food service program			1,970,281			1,970,281
Capital outlay					2,599,957	2,599,957
Total Expenditures	119,105,689	3,907,059	1,970,281	-	2,599,957	127,582,986
Excess (Deficiency) of Revenues Over Expenditures	2,837,041	(223,262)	(134,078)	-	-	2,479,701
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	167,142	223,262	171,345			561,749
Operating transfers (out)	(394,607)			(167,142)		(561,749)
Total Other Financing Sources and (Uses)	(227,465)	223,262	171,345	(167,142)	-	-
Net Change in Fund Balances	2,609,576	-	37,267	(167,142)	-	2,479,701
Fund Balances - Beginning of Year	23,796,053		66,527	3,141,195		27,003,775
Fund Balances - End of Year	$ 26,405,629	$ -	$ 103,794	$ 2,974,053	$ -	$ 29,483,476

See Notes to Financial Statements

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2017

Net Change in Fund Balances		$ 2,479,701
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Change in unavailable revenue	$ (297,782)	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	(375,353)	
Increase in workers' compensation payable	(382,989)	
Increase in net other postemployment benefits obligation	(7,300,341)	
		(8,356,465)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Capital outlays	3,013,631	
Depreciation expense	(3,288,132)	
		(274,501)
Long-Term Debt Transactions Differences		
In the Statement of Activities, the amortization of premiums relating to advanced refunding of bonds exceeded the amortization of deferred charges.	670,734	
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Repayment of bond principal	7,075,000	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2016 to June 30, 2017	(548,918)	
		7,196,816
Pension Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Teachers' retirement system	371,982	
Employees' retirement system	(352,163)	
		19,819
Change in Net Position of Governmental Activities		$ 1,065,370

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	$ 296,911	$
Restricted		22,636
Due from other governments	768,551	
Total Assets	$ 1,065,462	22,636
LIABILITIES		
Extraclassroom activity balances	$ 118,344	
Due to governmental funds	773,554	
Other liabilities	173,564	
Total Liabilities	$ 1,065,462	-
NET POSITION		
Restricted for scholarships		$ 22,636

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For The Year Ended June 30, 2017

	Private Purpose Trust
ADDITIONS	
Contributions	$ 8,920
DEDUCTIONS	
Scholarships and awards	8,550
Change in Net Position	370
Net Position - Beginning of Year	22,266
Net Position - End of Year	$ 22,636

See Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

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

§119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

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

Enforcement

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventories

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

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

L. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	$ 15,000	50 years
Site improvements	1,500	30 years
Furniture, equipment and vehicles	500	5-20 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from the refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2032. The second item is

related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

P. Employee Benefits – Compensated Absences

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

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

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

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

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Q. Other Benefits

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

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

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

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

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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

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

Fund Statements

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

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

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or $15,000, whichever is greater. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenue.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

Educational expenses funded by other state aid	$ 20,000

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

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

C. Over Expenditure of Certain Appropriations / Transfers

Certain general fund appropriations were over expended. These were in the following appropriation categories of the budget: teaching-special schools, debt service interest and interfund transfers. The general fund budget in total was not over expended. The District made interfund transfers during the year, which exceeded amounts provided for in the District's budget to the special aid fund for programs for students with disabilities.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed $9,961,439 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $1,039,811. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State - excess cost aid	$ 3,218,394
New York State - homeless aid	417,206
BOCES aid	559,793
	4,195,393
Special Aid Fund	
Federal and state grants	1,387,446
School Food Service Fund	
Federal and state food service program reimbursements	84,602
Capital Projects Fund	
New York State - Smart Schools Bond Act	21,972
	$ 5,689,413

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017 consisted of:

General Fund	
Foster tuition billings to other districts	$ 269,134
Homeless tuition billings to other districts	163,439
Vision service billings to other districts	36,302
Other	16,641
	$ 485,516

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 3,433,845	$ 3,194,846	$ 167,142	$ 394,607
Special Aid Fund	49,449	1,387,051	223,262	
School Food Service Fund	171,345	237,976	171,345	
Debt Service Fund	2,974,053			167,142
Capital Projects Fund		1,035,265		
Total Governmental Funds	6,628,692	5,855,138	561,749	561,749
Fiduciary Funds		773,554		
Total	$ 6,628,692	$ 6,628,692	$ 561,749	$ 561,749

The District typically transfers from the general fund to the special aid fund and school food service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund per Board resolution was to provide support for the program. The transfer from the debt service fund to the general fund was for unspent bond proceeds that were used to fund the payment of principal and interest on long-term outstanding indebtedness.

10. CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	$ 236,563	$	$	$ 236,563
Construction in progress	93,660		(93,660)	-
Total capital assets not being depreciated	330,223	-	(93,660)	236,563
Capital assets being depreciated				
Buildings and improvements	149,144,294			149,144,294
Site improvements	1,752,925	93,660		1,846,585
Furniture and equipment	4,272,215	2,889,804	(98,735)	7,063,284
Vehicles	368,399	123,827	(72,717)	419,509
Total capital assets being depreciated	155,537,833	3,107,291	(171,452)	158,473,672
Less accumulated depreciation for:				
Buildings and improvements	47,448,191	2,982,980		50,431,171
Site improvements	1,202,242	79,823		1,282,065
Furniture and equipment	3,548,339	198,991	(98,735)	3,648,595
Vehicles	296,218	26,338	(72,717)	249,839
Total accumulated depreciation	52,494,990	3,288,132	(171,452)	55,611,670
Total capital assets, being depreciated, net	103,042,843	(180,841)	-	102,862,002
Capital assets, net	$103,373,066	$ (180,841)	$ (93,660)	$103,098,565

Depreciation expense was charged to governmental functions as follows:

General support	$ 53,997
Instruction	3,197,208
Pupil transportation	1,883
Food service program	35,044
Total depreciation expense	$ 3,288,132

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2016	Issued	Redeemed	Balance June 30, 2017
TAN	6/27/2017	2.00%	$ -	$ 23,000,000	$ (23,000,000)	$ -

Interest on short-term debt for the year was $353,944. In addition, the District received borrowing premiums of $205,850 to yield an effective interest rate of 0.84%.

12. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 75,640,000	$	$ (7,075,000)	$ 68,565,000	$ 6,525,000
Add: Premium on advance refunding	9,136,902		(1,220,042)	7,916,860	1,186,134
	84,776,902	-	(8,295,042)	76,481,860	7,711,134
Other long-term liabilities:					
Compensated absences	8,422,616	375,353		8,797,969	1,180,019
Workers' compensation	2,882,180	1,202,935	(819,946)	3,265,169	-
	11,304,796	1,578,288	(819,946)	12,063,138	1,180,019
	$ 96,081,698	$ 1,578,288	$ (9,114,988)	$ 88,544,998	$ 8,891,153

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Serial bonds 2007	2007	2018	4.13%	$ 630,000
Serial bonds 2010	2010	2019	3.00-4.00%	4,325,000
Refunding serial bonds 2015	2015	2027	3.00-5.00%	25,925,000
Refunding serial bonds 2015 - Series B	2015	2018	2.00-3.00%	955,000
Refunding serial bonds 2015 - Series C	2015	2018	2.00-3.00%	525,000
Refunding serial bonds 2016	2016	2032	2.00-5.00%	36,205,000
				$ 68,565,000

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 6,525,000	$ 2,730,400	$ 9,255,400
2019	5,255,000	2,507,525	7,762,525
2020	5,150,000	2,321,450	7,471,450
2021	5,205,000	2,115,725	7,320,725
2022	5,515,000	1,875,950	7,390,950
2023 - 2027	28,830,000	5,628,850	34,458,850
2028 - 2032	12,085,000	871,625	12,956,625
Total	$ 68,565,000	$ 18,051,525	$ 86,616,525

C. Advance Refunding

On February 12, 2015, the District defeased the 2005 and 2006 general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. There were no outstanding principal balances for the defeased bonds at June 30, 2017.

On April 25, 2016, the District defeased the 2007 and 2010 general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding principal balance of the defeased bonds is $39,295,000 at June 30, 2017, and is scheduled to be fully redeemed in 2018-19.

In the district-wide statements, the District is amortizing deferred charges on the advance refundings and refunding bond premiums as a component of interest expense on a weighted average basis as follows:

Fiscal Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premiums	Interest Expense Increase / (Decrease)
2018	$ 534,982	$ (1,186,134)	$ (651,152)
2019	507,991	(1,122,022)	(614,031)
2020	469,844	(1,034,846)	(565,002)
2021	423,506	(931,000)	(507,494)
2022	375,495	(823,360)	(447,865)
2023-2027	1,114,580	(2,406,002)	(1,291,422)
2028-2032	202,604	(413,496)	(210,892)
Total	$ 3,629,002	$ (7,916,860)	$ (4,287,858)

D. Interest Expense

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

Interest paid	$ 2,556,432
Less interest accrued in the prior year	(442,068)
Plus interest accrued in the current year	990,986
Less amortization of deferred amounts on refunding	(670,734)
Total interest expense on long-term debt	$ 2,434,616

13. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.59% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was $5,592,291 for TRS and $1,030,550 for ERS.

D. Pension Assets/Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	$ (3,207,372)	$ (2,430,367)
District's portion of the Plan's total net pension liability	0.2994630%	0.0258654%
Change in proportion since the prior measurement date	0.0081910	0.0004822

For the year ended June 30, 2017, the District recognized pension expense of $5,222,636 for TRS and $1,384,488 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$	$ 60,903	$ 1,041,934	$ 369,065
Change in assumptions	18,271,232	830,302		
Net difference between projected and actual earnings on pension plan investments	7,211,858	485,443		
Changes in proportion and differences between the District's contributions and proportionate share of contributions		20,478	515,248	32,032
District's contributions subsequent to the measurement date	5,592,291	261,233		
Total	$ 31,075,381	$ 1,658,359	$ 1,557,182	$ 401,097

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

Year Ending	TRS	ERS
2018	$ 2,148,133	$ 452,338
2019	2,148,133	452,338
2020	7,749,061	413,979
2021	6,006,450	(322,626)
2022	2,709,980	
Thereafter	3,164,151	
	$ 23,925,908	$ 996,029

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

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. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015 was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	$ (41,847,455)	$ (3,207,372)	$ 29,201,904

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	$ (7,762,109)	$ (2,430,367)	$ 2,077,612

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	(Dollars in Thousands)	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	$ (108,577,184)	$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	$ (1,071,042)	$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

Payables to the Pension Plan

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. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2017 amounted to $5,592,291 of employer contributions and $332,492 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $261,233 of employer contributions. Employee contributions are remitted monthly.

14. PENSION 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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled $699,562 and $1,852,277, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2017 totaled $28,300.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District provides primarily postemployment health insurance coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the United Healthcare Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District assumes a portion of the premiums (between 80% and 90%) and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of $6,054,598 for insurance premiums for 425 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 14,499,309
Interest on net OPEB obligation	2,933,178
Adjustment to ARC	(4,077,548)
Annual OPEB cost (expense)	13,354,939
Contributions made	(6,054,598)
Increase in net OPEB obligation	7,300,341
Net OPEB obligation - beginning of year	73,329,458
Net OPEB obligation - end of year	$ 80,629,799

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 13,354,939	45.3%	$ 80,629,799
June 30, 2016	13,087,638	40.6%	73,329,458
June 30, 2015	12,631,254	34.2%	65,553,154

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 $163,762,940 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $163,762,940. The covered payroll (annual payroll of active employees covered by the plan) was $46,540,752, and the ratio of the UAAL to the covered payroll was 351.9%.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 5.60% initially, decreased by increments to an ultimate rate of 3.94% and a 2.2% inflation rate. The UAAL is being amortized over 30 years.

16. RISK MANAGEMENT

A. General Information

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

B. Workers' Compensation

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 unreported claims, which were incurred on or before year end but not reported (IBNR) for fiscal year ended June 30, 2017:

	2016	2017
Unpaid claims at beginning of year	$ 2,914,275	$ 2,882,180
Incurred claims	840,830	1,202,935
Claim payments and adjustments	(872,925)	(819,946)
Unpaid claims at year end	$ 2,882,180	$ 3,265,169

17. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $4,175,244 has been appropriated to reduce taxes for the year ending June 30, 2018.

18. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency (IDA) enters into various property tax abatement programs for the purpose of economic development. The District received $7,290,428 of Payment in Lieu of Taxes (PILOT) revenues for fiscal year 2017. For $6,566,615 of these PILOT payments received, it is estimated that the reduction in property tax revenues approximated $1,190,000.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	$ 315,269
Instruction	325,899
	$ 641,168

B. Grants

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

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. However, it is not possible to determine the District's potential exposure, if any, at this time.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $26,089. The minimum remaining operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 26,089
2019	26,089
2020	26,089
	$ 78,267

20. SUBSEQUENT EVENTS

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

Issuance of TANs

On September 28, 2017, the District issued tax anticipation notes in the amount of $21,000,000, which are due June 27, 2018 and bear interest at the stated rate of 2.00%. The District received a premium of $158,760 with the borrowing to yield an effective interest rate of 0.99%.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	$ 51,369,544	$ 51,369,544	$ 51,446,239	$ 76,695
Other tax items	13,677,411	13,677,411	13,696,510	19,099
Charges for services	326,500	326,500	398,564	72,064
Use of money and property	274,786	274,786	276,790	2,004
Sale of property and compensation for loss	10,000	10,000	4,558	(5,442)
Miscellaneous	632,000	632,000	831,617	199,617
Total Local Sources	66,290,241	66,290,241	66,654,278	364,037
State Sources	55,239,057	55,259,057	55,229,959	(29,098)
Medicaid Reimbursement	100,000	100,000	58,493	(41,507)
Total Revenues	121,629,298	121,649,298	121,942,730	293,432
OTHER FINANCING SOURCES				
Operating Transfers In	167,142	167,142	167,142	-
Total Revenues and Other Sources	121,796,440	121,816,440	122,109,872	$ 293,432
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	4,500,000	4,500,000		
Prior Year's Encumbrances	209,611	209,611		
Total Appropriated Fund Balance	4,709,611	4,709,611		
Total Revenues, Other Sources and Appropriated Fund Balance	$ 126,506,051	$ 126,526,051		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	$ 93,028	$ 90,333	$ 63,544	$	$ 26,789
Central administration	377,582	379,675	362,102		17,573
Finance	866,630	866,911	775,422	33,150	58,339
Staff	803,147	804,417	673,904	6,366	124,147
Central services	8,635,632	8,628,018	8,057,713	275,753	294,552
Special items	1,203,800	1,206,088	1,161,482		44,606
Total General Support	11,979,819	11,975,442	11,094,167	315,269	566,006
Instruction					
Administration & improvement	4,572,979	4,567,060	4,430,808	132,692	3,560
Teaching - regular school	31,542,593	31,431,574	30,323,786	92,112	1,015,676
Programs for students with disabilities	20,586,948	20,549,255	18,526,713	29,229	1,993,313
Occupational education	1,270,363	1,270,363	1,233,250		37,113
Teaching - special schools	236,250	251,703	457,706		(206,003)
Instructional media	1,255,443	1,259,443	1,138,730	70,884	49,829
Pupil services	6,650,544	6,635,314	6,408,912	982	225,420
Total Instruction	66,115,120	65,964,712	62,519,905	325,899	3,118,908
Pupil Transportation	8,576,848	8,578,532	8,079,811		498,721
Employee Benefits	29,827,832	29,827,832	27,426,430		2,401,402
Debt Service					
Principal	7,075,000	7,075,000	7,075,000		-
Interest	2,781,432	2,783,188	2,910,376		(127,188)
Total Debt Service	9,856,432	9,858,188	9,985,376	-	(127,188)
Total Expenditures	126,356,051	126,204,706	119,105,689	641,168	6,457,849
OTHER USES					
Operating Transfers Out	150,000	321,345	394,607		(73,262)
Total Expenditures and Other Uses	$ 126,506,051	$ 126,526,051	119,500,296	$ 641,168	$ 6,384,587
Net Change in Fund Balance			2,609,576		
Fund Balance - Beginning of Year			23,796,053		
Fund Balance - End of Year			$ 26,405,629		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	-	$ 153,817,200	$ 153,817,200	0%	$ 49,383,421	311.5%
July 1, 2014	-	150,578,485	150,578,485	0%	50,889,487	295.9%
July 1, 2016	-	163,762,940	163,762,940	0%	46,540,752	351.9%

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

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Three Fiscal Years

Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.2994630%	0.2912720%	0.2907430%
District's proportionate share of the net pension asset (liability)	$ (3,207,372)	$ 30,253,862	$ 32,386,957
District's covered payroll	$ 47,731,747	$ 45,611,511	$ 44,908,634
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	6.72 %	66.33 %	72.12 %
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Employees' Retirement System

	2017	2016	2015
District's proportion of the net pension liability	0.0258654%	0.0253832%	0.0250863%
District's proportionate share of the net pension liability	$ (2,430,367)	$ (4,074,072)	$ (847,478)
District's covered payroll	$ 7,205,013	$ 7,403,000	$ 7,259,983
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.73 %	55.03 %	11.67 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System
The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

Employees' Retirement System
The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 5,592,291	$ 6,498,800	$ 7,669,898	$ 6,978,931	$ 4,965,831	$ 4,746,644	$ 5,030,670	$ 2,233,907	$ 2,954,663	$ 3,412,117
Contributions in relation to the contractually required contribution	5,592,291	6,498,800	7,669,898	6,978,931	4,965,831	4,746,644	5,030,670	2,233,907	2,954,663	3,412,117
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$48,104,289	$47,731,747	$45,611,511	$44,908,634	$43,633,580	$45,221,306	$43,229,244	$42,913,004	$41,234,677	$40,731,738
Contributions as a percentage of covered payroll	12%	14%	17%	16%	11%	10%	12%	5%	7%	8%

Employees' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,030,550	$ 1,026,126	$ 1,157,439	$ 1,335,259	$ 1,373,682	$ 946,729	$ 1,103,217	$ 451,859	$ 448,774	$ 547,122
Contributions in relation to the contractually required contribution	1,030,550	1,026,126	1,157,439	1,335,259	1,373,682	946,729	1,103,217	451,859	448,774	547,122
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,647,746	$ 7,480,806	$ 7,264,338	$ 7,083,898	$ 7,051,301	$ 7,266,732	$ 6,642,086	$ 6,584,134	$ 6,580,516	$ 6,323,818
Contributions as a percentage of covered payroll	13%	14%	16%	19%	19%	13%	17%	7%	7%	9%

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

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 126,296,440
Additions:	
Prior year's encumbrances	209,611
Original Budget	126,506,051
Budget Revision	
Educational expenses funded by state aid	20,000
Final Budget	$ 126,526,051

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget		$ 129,595,729
Maximum allowed (4% of 2017-18 budget)		$ 5,183,829
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	4,816,412	
Unassigned fund balance	5,183,829	
		$ 10,000,241
Less:		
Appropriated fund balance	4,175,244	
Encumbrances	641,168	
Total adjustments		4,816,412
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		$ 5,183,829
Actual Percentage		4.00%

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2017

PROJECT TITLE	Budget June 30, 2016	Budget June 30, 2017	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	Methods of Financing: State Aid	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance June 30, 2017
Smart Schools Bond Act	$ -	$ 3,613,250	$ -	$ 2,599,957	$ 2,599,957	$ 1,013,293	$ -	$ 3,613,250	$ -	$ 3,613,250	$ 1,013,293
									State aid not yet realized		(1,013,293)
											$ -

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

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2017

Capital assets, net	$ 103,098,565
Deduct:	
Short-term portion of bonds payable	6,525,000
Long-term portion of bonds payable	62,040,000
	68,565,000
Net investment in capital assets	$ 34,533,565

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

To the Board of Education
South Country Central School District
East Patchogue, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the South Country Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the South Country Central School District in a separate letter dated October 11, 2017.

Purpose of this Report

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

Cullen & Danowski, LLP

October 11, 2017

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

October 2, 2018

The Board of Education of
South Country Central School District at Brookhaven,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to South Country Central 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 $20,000,000 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 South Country Central School District at Brookhaven, in the County of Suffolk, a school district of the State of New York.

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

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of October 2, 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 $20,000,000 Tax Anticipation Note for 2018-2019 Taxes, dated October 2, 2018, maturing on June 27, 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 **October 2, 2018.**

SOUTH COUNTRY CENTRAL SCHOOL DISTRICT AT BROOKHAVEN

By_____
President of the Board of Education