

STATEMENT

OF

ANNUAL FINANCIAL AND OPERATING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL
DISTRICT

SUFFOLK COUNTY, NEW YORK

DATED: DECEMBER 10, 2021



**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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Robert Howard, Assistant Superintendent for Business
Beth Nystrom, District Clerk
Dawn Monsell, District Treasurer

Board of Educational Counsel

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* * *

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**STATEMENT OF ANNUAL FINANCIAL
AND OPERATING INFORMATION**

**NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

The material set forth herein, including the cover page, has been prepared by the Northport-East Northport Union Free School District, Suffolk County, New York (the "District", the "County", and the "State", respectively) in connection with its obligation to prepare and submit such material in accordance with its Continuing Disclosure Undertaking and the Official Statements having been prepared in connection with the sale and issuance of the following bond issues.

\$12,435,000 School District Refunding Serial Bonds 2013, Series A
\$ 4,875,000 School District Refunding Serial Bonds 2013, Series B
\$38,280,000 School District Serial Bonds - 2020

THE DISTRICT

Description

The Northport-East Northport Union Free School District is located in the northeastern section of the Town of Huntington and fronts on Long Island Sound. The District covers an area of approximately 18 square miles and includes the incorporated Villages of Northport and Asharoken and the unincorporated areas of Northport, East Northport and Eaton's Neck as well as part of Fort Salonga. The Town of Smithtown borders the District on the east while Commack and Elwood School Districts lie to the south and the Harborfields School District lies to the west.

The Incorporated Village of Northport, with an area of approximately 2.5 square miles, lies entirely within the District. The Village maintains municipal parking fields, sanitary and storm sewer systems with a modern sewerage disposal plant, municipal dock, park, beaches and modern Fire and Police Departments.

The District is basically a residential community. The area has much of its terrain broken by hills and an indented harbor having an irregular shoreline. Northport has always been noted as a haven for small boats and recreational yachting activity. A number of the District residents commute to New York City and other points by Long Island Rail Road and automobile. The Port Jefferson Branch of the Long Island Rail Road serves Northport and is electrified to Huntington, two stations west.

District Organization

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

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held in May 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, the Assistant Superintendent for Business and the District Treasurer.

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2016-2017	5,501
2017-2018	5,339
2018-2019	5,212
2019-2020	5,035
2020-2021	4,787

Source: District Officials.

Projected Future Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2021-2022	4,612
2022-2023	4,600
2023-2024	4,550
2024-2025	4,500
2025-2026	4,450

Source: District Officials.

District Facilities

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

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Capacity</u>
Dickinson Ave. School	K-5	1956	555
Fifth Ave. School	K-5	1958	648
Norwood Ave. School	K-5	1958	616
Ocean Ave. School	K-5	1938	578
Pulaski Rd. School	K-5	1962	469
Bellerose Ave. School	K-5	1966	563
East Northport Middle School	6-8	1958	1,106
Northport Middle School	6-8	1954	1,422
Northport High School	9-12	1966	2,788
William J. Brosnan Building	Admin.	1924	750

Note: Dates of construction reflects dates in the 2015 Building Condition Survey. Capacity reflects the results of the District Demographic Study.

Employees

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

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
United Teachers of Northport	06/30/2022	530
Northport Association of School Administrators	06/30/2021	25
Local 424 United Public Service Employees Union ^a	06/30/2020	103
Clerical	06/30/2022	73
School Lunch Personnel - Local 424 United Public Service Employees Union ^a	06/30/2019	36
Teacher Aides	06/30/2023	120
United Teachers of Northport - Teaching Assistants ^a	06/30/2020	54

a. Contracts are in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

Population statistics are available for the District as such. The District is located within the Town of Huntington. The following table sets forth population statistics for the Town, County and State.

<u>Year</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>State of New York</u>
1990	191,474	1,321,864	17,990,455
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2019	201,718	1,483,832	19,572,319

Source: U.S. Bureau of the Census.

Income Data

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

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
Town of Huntington	\$24,810	\$36,390	\$46,862	\$58,606
County of Suffolk	18,481	26,577	35,755	44,465
State of New York	16,501	23,389	30,791	39,326

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
Town of Huntington	\$60,530	\$82,528	\$101,495	\$124,490
County of Suffolk	49,128	65,288	84,506	101,031
State of New York	32,965	43,393	55,603	68,486

Source: United States Bureau of the Census

Selected Listing of Larger Employers in the Town of Huntington
(As of 2020)

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 Huntington.

<u>Name</u>	<u>Type</u>	<u>Estimated Number Of Employees</u>
Half Hollow Hills School District	Education	2,441
Northport Veterans Affairs Medical Center	Healthcare	2,000
Huntington Hospital	Hospital	2,000
Canon	Imaging Products	1,509
Estee Lauder, Inc.	Cosmetics	1,450
Commack School District	Education	1,439
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Northport-East Northport UFSD	Education	1,300
Newsday	Newspaper	1,228
Western Suffolk BOCES	Education	1,176

Source: Town of Huntington Official Statement

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

<u>Annual Averages:</u>	<u>Town of Huntington (%)</u>	<u>County of Suffolk (%)</u>	<u>New York State (%)</u>
2017	4.0	4.5	4.6
2018	3.4	3.8	4.1
2019	3.2	3.5	3.8
2020	7.9	8.5	10.0
2021 (10 Month Average)	5.4	5.3	7.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Computation of Debt Limit and Debt Contracting Margin (As of December 10, 2021)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Huntington (2020-2021) ^a	\$77,901,186	0.74%	\$10,527,187,297
Debt Limit - 10% of Full Valuation			\$1,052,718,730
Inclusions: ^b			
Outstanding Bonds			\$41,455,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>\$41,455,000</u>
Exclusions (Estimated Building Aid) ^c			<u>10,363,750</u>
Total Net Indebtedness			<u>31,091,250</u>
Net Debt Contracting Margin			<u>\$1,021,627,480</u>
Per Cent of Debt Contracting Margin Exhausted			2.95%

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 notes are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Statement, the District has tax anticipation notes outstanding in the amount of \$35,000,000 that mature on June 24, 2022. Such notes are expected to be paid in full at maturity with the receipt of District's tax levy.

Trend of Outstanding Indebtedness					
As at June 30:					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$12,465,000	\$10,530,000	\$8,535,000	\$6,485,000	\$42,640,000
BANs	-	-	23,000,000	36,000,000	0
Other	<u>\$12,465,659</u>	<u>\$12,096,571</u>	<u>\$11,529,823</u>	<u>\$10,944,793</u>	<u>\$10,340,893</u>
Total	<u>\$24,930,659</u>	<u>\$22,626,571</u>	<u>\$43,064,823</u>	<u>\$53,429,793</u>	<u>\$52,980,893</u>

Source: Audited Financial Statements of the District.

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,890,000	\$ 1,888,561	\$ 4,778,561
2023	1,900,000	1,172,106	3,072,106
2024	1,990,000	1,080,056	3,070,056
2025	2,085,000	983,581	3,068,581
2026	2,190,000	882,331	3,072,331
2027	1,695,000	788,081	2,483,081
2028	1,785,000	701,081	2,486,081
2029	1,870,000	619,056	2,489,056
2030	1,925,000	552,781	2,477,781
2031	1,985,000	494,131	2,479,131
2032	2,040,000	443,956	2,483,956
2033	2,085,000	402,706	2,487,706
2034	2,120,000	360,656	2,480,656
2035	2,165,000	317,806	2,482,806
2036	2,205,000	274,106	2,479,106
2037	2,250,000	229,556	2,479,556
2038	2,295,000	182,672	2,477,672
2039	2,340,000	133,425	2,473,425
2040	2,385,000	81,731	2,466,731
2041	2,440,000	27,450	2,467,450
Totals ^a :	<u>\$42,640,000</u>	<u>\$11,615,833</u>	<u>\$54,255,833</u>

a. Does not include payments made to date.

Debt Service Requirements – 2016 Energy Performance Contract

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 623,379	\$ 325,961	\$ 949,341
2023	643,487	305,853	949,341
2024	664,243	285,097	949,341
2025	685,669	263,671	949,341
2026	707,786	241,554	949,341
2027	730,617	218,724	949,341
2028	754,183	195,157	949,341
2029	778,510	170,830	949,341
2030	803,622	145,719	949,341
2031	829,544	119,797	949,341
2032	856,301	93,039	949,341
2033	883,922	65,418	949,341
2034	912,434	36,907	949,341
2035	467,195	7,475	474,670
Totals ^a	<u>\$10,340,893</u>	<u>\$2,475,204</u>	<u>\$12,816,097</u>

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
2018	\$32,500,000	09/06/17	06/27/18
2019	32,500,000	09/05/18	06/27/19
2020	33,500,000	09/20/19	06/25/20
2021	34,500,000	09/29/20	06/25/21
2022	35,000,000	09/14/21	06/24/22

Authorized and Unissued Debt

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

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	08/02/2021	4.38	\$86,747,510	\$55,061,768
Town of Huntington	07/22/2021	24.69	26,298,553	18,736,203
Village of Northport	02/28/2020	100.00	2,695,035	2,695,035
Village of Asharoken	05/31/2020	100.00	0	0
Eaton's Neck Fire District	12/31/2019	100.00	105,681	105,681
East Northport Fire District	12/31/2019	70.00	560,000	560,000
Totals			<u>\$116,406,779</u>	<u>\$77,158,686</u>

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

Debt Ratios (As of December 10, 2021)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$41,455,000	\$1,184	0.394
Net Direct Debt	31,091,250	888	0.295
Total Direct & Applicable Total Overlapping Debt	157,861,779	4,510	1.500
Net Direct & Applicable Net Overlapping Debt	108,249,936	3,093	1.028

a. The current estimated population of the District is 35,000.

b. The full valuation of taxable property is \$10,527,187,297.

FINANCES OF THE DISTRICT

Impact of COVID-19

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel and for cleaning supplies and equipment, the aggregate cost of which total approximately \$1,000,000. The District has paid such costs from budgetary appropriations and/or available funds. The District does not believe that the increased costs described above will have a material adverse impact on the finances of the District. (See also “*State Aid*” herein.)

In December of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was enacted as the second act of federal relief in response to COVID-19. The CRRSA Act provides approximately \$4.3 billion to support schools in the State, with the funds available to be spent through September 2023. This is in addition to the \$1.2 billion in Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding, which can be spent through September 2022. The CRRSA Act provides the State with \$4.0 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and \$323 million through the Governor’s Emergency Education Relief (GEER) Fund. Districts may generally use these funds for broad purposes, including general operating and pandemic-related costs such as purchasing personal protective equipment. Additionally, the State has been allocated approximately \$9.0 billion under the American Rescue Plan (ARP) Act’s Elementary and Secondary School Emergency Relief Fund (ESSER).

The District has been allocated \$157,913 in CARES Act funding and has received \$31,582. The District is expected to receive a total of \$1,798,506 through CRRSA and ARP funding. See also “*State Aid*” herein.

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, 2021. A copy of such report is included herein as Appendix B.

Investment Policy

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

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

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

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall 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 18, 2021, a majority of the voters of the District approved the District's budget for the 2019-2020 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2020-2021 and 2021-2022 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 percentage of the District’s General Fund revenue comprised of State aid for each of the fiscal years 2017 through 2021, and the amount budgeted for 2022.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid To Revenues (%)
2017	157,986,120	14,593,006	9.24
2018	160,650,264	15,247,862	9.49
2019	164,311,439	15,479,924	9.42
2020	167,246,460	15,305,164	9.15
2021	169,552,011	15,474,808	9.13
2022 (Budgeted) ^a	174,689,788	16,925,660	9.69

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

a. Budgeted revenues do not 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 amount of State aid to school districts is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to continue to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2020-21 Enacted Budget authorized the State’s Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. In December 2020, a second federal stimulus bill was enacted and provided additional funding for schools in the State. As of February 1, 2021, the State Education Department (“SED”) advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds on or about June 30, 2021.

The State’s 2021-22 Enacted Budget provides \$29.5 billion in State funding to school districts for the 2021-22 school year the highest level of State aid ever. This represents an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and includes a \$1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase is targeted to high-need school districts. The State’s 2021-22 Enacted Budget also programs \$13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor’s Emergency Education Relief Fund to public schools. This funding available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students’ academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State’s 2021-22 Enacted Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State’s 2021-22 Enacted Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, 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 adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2021-22 Enacted Budget was adopted on April 7, 2021. 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, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget. (See also "*Impacts of COVID-19*" herein.)

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.

Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

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

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

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

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

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

School district fiscal year (2019-2020): The State's 2019-2020 school year, the State's Enacted Budget include a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019-2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

School district fiscal year (2021-2022): For the 2021-2022 school year, the State's Enacted budget provides \$29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represents an increase of 11.3% (\$3.0 billion) compared to the 2020-2021 school year, including a \$1.4 billion (7.6%) Foundation Aid increase. The Enacted budget would allocate \$13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, will help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's allocation of funds is \$1,335,040 and the District has spent approximately \$871,557 of such amount.

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 "*Risk Factors*").

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: 0.0%, Environmental Score: 10.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The District has not been audited in the past five years.

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, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the amounts budgeted for the 2022 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2017	\$7,856,255	\$2,462,134
2018	6,769,019	2,480,484
2019	7,350,514	2,376,369
2020	6,215,116	2,361,129
2021	6,862,666	5,632,230
2022 (Budgeted)	7,069,243	2,943,484

Source: Audited Financial Statements and District Officials.

Other Post-Employment Benefits

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

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 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 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District’s total OPEB liability at June 30, 2021 is as follows:

Changes in Total OPEB Liability

Total OPEB Liability at June 30, 2020	\$292,131,286
Charges for the Year:	
Service Cost	10,332,090
Interest	7,191,769
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	15,226,657
Benefit Payments	(5,646,165)
Net Changes	\$27,104,351
Total OPEB Liability at June 30, 2021	\$319,235,637

The OSC has recently 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 Huntington. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see “*The Tax Levy Limit Law*” herein for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the amount of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, inclusive and for the amounts budgeted for the 2022 fiscal years.

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Total Revenue</u>	<u>Real Property</u> <u>Taxes</u>	<u>Real Property</u> <u>Taxes to</u> <u>Revenues (%)</u>
2017	157,986,120	132,307,298	83.75
2018	160,650,264	134,524,663	83.74
2019	164,311,439	138,010,216	83.99
2020	167,246,460	143,038,422	85.53
2021	169,552,011	143,409,427	84.58
2022 (Budgeted) ^a	174,689,788	143,217,642	81.98

Source: Audited Financial Statements of the District and Adopted Budget of the District.

- a. Budgeted estimates for total revenues include appropriations of fund balance. Budgeted estimates for real property taxes include STAR.
- b. The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant, see “Long Island Power Authority Tax Certiorari” herein.

Tax Collection Procedure

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

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

The Tax Levy Limit Law

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

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, 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 \$66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

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

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

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

Approximately 4% (including STAR) of the District’s 2020-2021 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 4% of the District’s 2021-2022 school tax levy exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2022. (See “State Aid” herein).

Valuations, Rates and Levies

The following table sets forth District’s assessed and full valuations, tax rates and levies for each of the years 2017 through 2021.

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per \$1,000 Assessed Valuation	Tax Levy	Amount Uncollected
2017	\$79,986,268	0.85	\$ 9,410,149,176	1,761.34	\$140,921,095	0
2018	79,865,722	0.84	9,507,824,048	1,789.61	142,972,862	0
2019	79,812,695	0.80	9,976,586,875	1,828.33	145,798,566	0
2020	79,870,444	0.76	10,509,268,947	1,873.82	149,717,837	0
2021	77,901,186	0.74	10,527,187,297	2,825.79	149,717,837	0

Selected Listing of Large Taxable Properties in the District
2020-2021 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Marketspan Generation, LLC	Utility	\$30,239,550
Long Island Lighting Co.	Utility	1,281,508
Long Island Power Authority ^b	Utility	828,096
Iroquois Gas Transmission System	Utility	406,939
Keyspan Corporation	Utility	308,669
Eatons Neck LLC	Estate	276,300
Atria Senior Living Group Inc.	Apartments	177,600
Verizon	Utility	159,178
Fort Slongo, LLC	Shopping Center	75,000
Serota Northport LLC	Commercial	66,000
Four T. Associates LLC	Marina	65,000
Connecticut Storage Fund	Commercial	58,000
Britannia Acquisition LLC	Commercial	57,500
East Northport LLC	Commercial	53,000
Guiseppe Cavagnaro	Commercial	<u>47,800</u>
	Total	<u><u>\$34,100,140</u></u>

a. Portions of the District are also located in the Towns of Southampton and Riverhead.

b. Represents 0.63% of the Assessed Valuation of the District for 2019-2020.

Source: Town Assessment Roll.

Long Island Power Authority Tax Certiorari

The Long Island Power Authority and National Grid have initiated tax certiorari proceedings challenging the property tax assessment of the Northport Power Plant. As the assessing authority, the Town of Huntington opposed these challenges before the Suffolk County, N.Y. Supreme Court. The Northport Power Plant currently pays approximately \$54.2 million in taxes to the Northport-East Northport School District. The Power Plant's assessed valuation represents approximately 36% of the total assessed valuation of the District. An adverse result of the tax certiorari proceedings could have a considerable impact on the District's residential property taxes and future school district budgets. The District filed suit against LIPA and National Grid in May 2011 alleging a breach of contract after LIPA and National Grid filed the tax certiorari proceedings. The claim was dismissed by the Suffolk County Supreme Court. The case was appealed to the Appellate Division, Second Department. A reduction in the school taxes paid by the Power Plant results in a shift in the tax burden to the District's taxpayers and could impact future budgets. The impact would be contingent upon the amount of the Power Plant's property tax assessment reduction. Any award of back taxes payable to LIPA and/or National Grid as a result of the proceeding would not be the responsibility of the District.

On July 20, 2020 and August 12, 2020, the Board of Education voted to approve the terms of a settlement between the School District, the Town of Huntington and LIPA, which resolves the School District's breach of contract case pending before the Appellate Division, Second Department and the tax certiorari proceedings commenced by LIPA and National Grid against the Town, subject to the approval of the Huntington Town Board (the terms of the settlement are set forth in a term sheet dated July 2, 2020 (Term Sheet)). On September 3, 2020, the Huntington Town Board voted and approved the terms of the settlement. The settlement terms include a reduction of the assessed value of the Northport Power Plant over a 7-year glide path period resulting in a gradual reduction of total taxes paid to jurisdictions thereby reducing the Northport Power Plant school taxes from \$56 million to approximately \$32 million over the 7-year glidepath period rather than an immediate reduction in taxes, together with a phased-in payment of \$14.5 million directly to the School District to mitigate the loss of tax revenue from the Northport Power Plant.

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, in view of the District's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

There is two cases worthy of special mention:

D.B., a telecommunications and electrical wiring installation worker who worked for a School District contractor during the 1991-1992 period, filed a lawsuit on August 20, 2020, against the School District and approximately 80 other defendants, alleging that his recently diagnosed lung cancer was caused by his alleged exposure to asbestos in the School District and in other locations where he worked during his approximately 20-year career. Among the 80 defendants named are approximately 40 other school districts, including approximately 38 school districts on Long Island, as well as one school district in Westchester County. The New York City Department of Education has also been named as a defendant which is why the lawsuit is pending before the New York County Supreme Court. The Complaint has not specific a damages amount which is fairly standard as far as tort actions are concerned. An answer has been filed on behalf of the School District, in which appropriate defenses have been interposed and all material allegations have been denied.

J.S., a former School District student who attended the Bellerose Avenue Elementary School, filed an action on July 15, 2021, in which he alleges that the School District was negligent in permitting a teacher to engage in sexual abuse and assault in 1971. The lawsuit invokes the "revival" portion of the Child Victims Act which permits time-barred negligence actions against entities who are alleged to have been negligent where a plaintiff was a child at the time the alleged abuse happened. Such actions must have been time-barred due to the statute of limitations as of the enactment of the Child Victims Act in order to be eligible for "revival." Such time-barred actions must be filed on or before August 14, 2021 in order to be considered revived. The School District is in the process of trying to locate liability insurance coverage in effect during 1971. In the meantime, an extension of time to respond has been secured through September 3, 2021. The Complaint does not specify a damages amount, other than that he is alleged to have suffered emotional distress.

CYBERSECURITY

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

RATING

Moody's Investors Service Inc. has assigned a rating of "Aa1" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the 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., Port Jefferson Station, New York has assisted the District as municipal advisor in certain matters with respect to the preparation of this Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Robert Howard, Assistant Superintendent for Business, Northport-East Northport Union Free School District, 158 Laurel Avenue, Northport, NY 11768, Phone (631) 262-6632, Fax (631) 262-6892 and email: robert.howard@northport.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

So far as any statements made in this Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Statement is submitted only in connection with the District's "Continuing Disclosure Undertaking" pursuant to Rule 15c2-12 as promulgated by the Securities and Exchange Commission and may not be reproduced or used in whole or in part for any other purpose.

By: s/s DAVID BADANES
President of the Board of Education
Northport-East Northport Union Free School District
Northport, New York

December 10, 2021

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year End June 30:		
	2019	2020	2021
Assets:			
Cash	\$ 31,140,142	\$ 34,315,314	\$ 35,918,313
Due From State and Federal	2,781,425	585,797	984,266
Due from Other Governments	417,187	2,552,001	2,687,855
Due from Other Funds	1,504,510	1,511,612	1,939,789
Due from Fiduciary Funds	167,574	36,208	
Account Receivables	130,139	22,207	18,094
Prepaid Expenditures	1,997,719	1,903,437	1,983,291
Total Assets	\$ 38,138,696	\$ 40,926,576	\$ 43,531,608
Liabilities:			
Accounts Payable	\$ 2,714,639	\$ 1,541,172	\$ 2,360,012
Accrued Liabilities	1,078,140	1,124,011	2,317,286
Due to Other Funds	1,796,296	4,814,239	1,075,651
Due to Other Governments		1,534,695	64,262
Due to Teachers' Retirement System	7,596,801	6,500,289	7,160,058
Due to Employees' Retirement System	759,577	735,453	811,701
Compensated Absence	132,729	63,805	643,967
Unearned Revenues	386,242	20,469	312,078
Deferred Revenues	96,084	536,000	414,719
Total Liabilities	14,560,508	16,870,133	15,159,734
Fund Balances:			
Non-spendable			
Prepays	1,997,719	1,903,437	1,983,291
Restricted			
Capital	1,671,067	1,692,155	5,694,661
Unemployment Insurance	825,922	831,073	832,285
Insurance	50,564	51,189	51,264
Employee Benefit Accrued Liability	2,992,231	2,978,612	2,232,882
Workers' Compensation	2,637,332	2,528,212	2,391,694
Retirement Contribution - ERS & TRS	3,523,720	3,423,818	4,908,412
Assigned	3,036,527	4,893,067	3,289,793
Unassigned	6,843,106	5,754,880	6,987,592
Total Fund Equity	23,578,188	24,056,443	28,371,874
Total Liabilities and Fund Equity	\$ 38,138,696	\$ 40,926,576	\$ 43,531,608

Source: Audited Annual Financial Reports of the School District (2019-2021)

NOTE: This schedule NOT audited

Statement of Revenues, Expenditures and Changes in Fund Equity
General Fund

Fiscal Year End June 30:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Real Property Taxes	\$ 132,307,298	\$ 134,524,663	\$ 138,010,216	\$ 143,038,422	\$ 143,409,427
Other Tax Items	8,615,019	8,449,613	7,973,874	6,691,759	6,218,369
Charges for Services	830,499	823,927	835,700	735,041	645,434
Use of Money and Property	262,827	471,160	649,864	500,775	220,610
Sale of Prop & Comp for Loss	325,501	133,772	373,179	57,356	8,970
State Aid	14,593,006	15,247,862	15,479,924	15,305,164	15,474,808
Miscellaneous	994,718	958,459	917,494	763,208	3,273,446
Federal Sources	57,252	40,808	71,188	154,735	300,947
Total Revenues	<u>157,986,120</u>	<u>160,650,264</u>	<u>164,311,439</u>	<u>167,246,460</u>	<u>169,552,011</u>
Expenditures:					
General Support	16,767,450	17,584,503	18,472,827	19,383,820	19,135,548
Instruction	89,670,787	90,916,852	91,948,232	92,254,284	93,177,753
Pupil Transportation	7,559,684	7,855,490	7,782,555	6,345,915	7,906,533
Community Services	397,054	426,830	396,295	381,284	90,466
Employee Benefits	36,848,674	38,269,007	38,936,996	37,980,041	39,201,282
Debt Service	2,752,492	3,860,962	4,128,105	4,613,185	4,924,896
Total Expenditures	<u>153,996,141</u>	<u>158,913,644</u>	<u>161,665,010</u>	<u>160,958,529</u>	<u>164,436,478</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,989,979</u>	<u>1,736,620</u>	<u>2,646,429</u>	<u>6,287,931</u>	<u>5,115,533</u>
Other Sources And Uses:					
Premium Obligations		242,127	567,500	437,219	307,600
Operating Transfers In	1,048,341			44,121	
Operating Transfers (Out)	(4,516,589)	(3,100,914)	(3,358,057)	(6,291,016)	(1,107,702)
Total Other Sources (Uses)	<u>(3,468,248)</u>	<u>(2,858,787)</u>	<u>(2,790,557)</u>	<u>(5,809,676)</u>	<u>(800,102)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	521,731	(1,122,167)	(144,128)	478,255	4,315,431
Fund Equity - Beginning of Year	24,322,752	24,844,483	23,722,316	23,578,188	24,056,443
Other Changes in Fund Equity					
Fund Equity - End of Year	<u>\$ 24,844,483</u>	<u>\$ 23,722,316</u>	<u>\$ 23,578,188</u>	<u>\$ 24,056,443</u>	<u>\$ 28,371,874</u>

Source: Audited Annual Financial Reports of the School District (2017-2021)

NOTE: This schedule NOT audited

Budget Summary
General Fund

	Fiscal Year Ending June 30:	
	<u>2020-21 (1)</u>	<u>2021-22 (2)</u>
Revenues:		
Real Property Taxes	\$ 142,717,642	\$ 143,217,642
STAR Reimbursement	7,500,000	6,500,000
Assigned Fund Balance	4,391,473	2,411,265
Restricted Reserves	336,721	336,721
State Aid	15,939,423	16,925,660
Use of Money and Property	430,000	370,000
Charges for Services	587,000	587,000
Federal Aid	50,000	50,000
Miscellaneous	1,300,500	4,291,500
Total Revenues	\$ 173,252,759	\$ 174,689,788
Expenditures:		
Salaries	\$ 92,183,144	\$ 89,512,991
Employee Benefits	38,390,013	40,282,800
Equipment and Supplies	3,235,096	3,310,539
Other services	32,130,153	32,217,685
Debt Service	5,352,603	5,501,359
Interfund Transfers	1,461,750	3,864,414
Total Expenditures	\$ 172,752,759	\$ 174,689,788

(1) The 2020-21 Budget was approved by the voters of the District on June 16, 2020.

(2) The 2021-22 Budget was approved by the voters of the District on May 18, 2021

NORTHPORT-EAST NORTHPORT UNION FREE SCHOOL DISTRICT

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 REPORTS IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.