

**NEW ISSUES
SERIAL BONDS, BOND ANTICIPATION NOTES AND TAX ANTICIPATION NOTES**

**RATING: SEE "RATINGS" HEREIN
BOOK-ENTRY-ONLY BONDS AND 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 Bonds and 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"), (ii) interest on the Series A Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (iii) interest on the Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations 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 on such corporations. See "Tax Matters" herein. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds and the Notes is exempt from New York State and New York City personal income taxes.

The Bonds and the Notes will NOT be designated by the District as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.

**SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK
SUFFOLK COUNTY, NEW YORK**

\$15,000,000

SCHOOL DISTRICT SERIAL BONDS – 2009 SERIES A

(the "Series A Bonds")

Purchased by:

UBS FINANCIAL SERVICES, INC.

Dated Date: August 15, 2009

**Maturity Date: August 15, 2010-2029
(as shown on the inside cover hereof)**

AND

\$3,620,000

SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2009 SERIES B

(the "Series B Bonds" and collectively with the Series A Bonds, referred to as the "Bonds")

Purchased by:

ROBERT W. BAIRD & CO., INC.

Dated Date: Date of Delivery

**Maturity Date: September 15, 2010-2018
(as shown on the inside cover hereof)**

AND

\$10,000,000

2.00% BOND ANTICIPATION NOTES FOR SCHOOL CONSTRUCTION – 2009

(the "BANs")

(Reoffered @ 0.50%)

Purchased by:

WACHOVIA BANK, NATIONAL ASSOCIATION

Date of Issue: August 27, 2009

Maturity Date: August 27, 2010

AND

\$40,000,000

2.50% TAX ANTICIPATION NOTES FOR 2009-2010 TAXES

(the "TANs" and collectively with the BANs, referred to as the "Notes")

(Reoffered @ 0.42%)

Date of Issue: August 27, 2009

Maturity Date: June 23, 2010

The Bonds and the Notes are general obligations of the Sachem Central School District at Holbrook, 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 thereof and interest thereon and, unless paid from other sources, the Bonds and the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, without limitation as to rate or amount.

The Series A Bonds are dated August 15, 2009 and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series A Bonds, payable on August 15, 2010 and semiannually thereafter on February 15 and August 15 in each year until maturity. The Series A Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover page hereof. The Series A Bonds will be subject to redemption prior to maturity as described herein. See "Optional Redemption" herein.

The Series B Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series B Bonds, payable on March 15, 2010 and September 15, 2010 and semiannually thereafter on March 15 and September 15 in each year until maturity. The Series B Bonds shall mature on September 15 in each year in the principal amounts specified on the inside cover page hereof. The Series B Bonds will not be subject to optional redemption prior to maturity.

Dated: August 19, 2009

The Bonds and the Notes will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Bonds and Notes. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds and Notes. Payment of the principal of and interest on the Bonds and Notes will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds and Notes as described herein. See “Book-Entry-Only System” herein.

The BANs are dated August 27, 2009 and bear interest from that date until August 27, 2010, at the annual rate as specified by the purchaser of the BANs. The TANs are dated August 27, 2009 and bear interest from that date until June 23, 2010, at the annual rate as specified by the purchaser of the TANs. The Notes will not be subject to redemption prior to maturity.

Hawkins Delafield & Wood LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto. Capital Markets Advisors, LLC has served as Financial Advisor to the District in connection with the issuance of the Bonds and the Notes.

The Bonds and the Notes are offered when, as and if issued and received by the purchasers and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is anticipated that the Series A Bonds and the Notes will be available for delivery through the offices of DTC in New York, New York on or about August 27, 2009. It is anticipated that the Series B Bonds will be available for delivery through the offices of DTC in New York, New York on or about September 16, 2009.

THIS REVISED COVER PAGE SUPPLEMENTS THE PRELIMINARY OFFICIAL STATEMENT OF THE DISTRICT DATED AUGUST 11, 2009, RELATING TO THE OBLIGATIONS DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15-c2-12 (THE “RULE”), OTHER THAN SET FORTH ON THE REVISED COVER PAGE, THIS INSIDE COVER PAGE AND THE SECTIONS ENTITLED, “SOURCES AND USES OF PROCEEDS,” “RATINGS” AND IN APPENDIX A UNDER THE HEADING “DEBT SERVICE SCHEDULE,” THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT. FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

The Series A Bonds will mature on August 15, subject to redemption prior to maturity, in the following years and principal amounts:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2010	\$ 330,000	2.000%	0.400%	2020	\$ 740,000 *	3.250%	3.150%
2011	590,000	2.000	0.700	2021	765,000 *	3.250	3.320
2012	595,000	2.000	1.000	2022	795,000 *	3.500	3.470
2013	605,000	2.250	1.300	2023	830,000 *	3.500	3.570
2014	620,000	2.500	1.700	2024	860,000 *	3.625	3.670
2015	635,000	2.750	2.000	2025	900,000 *	3.750	3.770
2016	650,000	3.000	2.270	2026	940,000 *	4.000	3.870
2017	670,000	3.000	2.550	2027	980,000 *	4.000	3.950
2018	690,000	3.000	2.800	2028	1,025,000 *	4.000	4.050
2019	710,000	3.125	3.000	2029	1,070,000 *	4.000	4.120

* The Series A Bonds maturing in the year 2020 and thereafter will be subject to redemption prior to maturity, as described herein. (See “Optional Redemption.”)

The Series B Bonds will mature on September 15, not subject to redemption prior to maturity, in the following years and principal amounts:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2010	\$ 405,000	2.000%	0.500%	2015	\$ 405,000	3.000%	2.020%
2011	420,000	2.000	0.800	2016	400,000	4.000	2.300
2012	410,000	2.000	1.020	2017	395,000	4.000	2.580
2013	400,000	2.000	1.340	2018	395,000	4.000	2.800
2014	390,000	2.000	1.730				

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, the purchaser of the TANs, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the TANs.

**SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK
SUFFOLK COUNTY, NEW YORK**

BOARD OF EDUCATION

ANTHONY FALCO
President

Robert Scavo.....	Vice President
James LaCarrubba.....	Board Member
Douglas Duncan, Jr.....	Board Member
David Egloff.....	Board Member
Christine Lampitelli	Board Member
Michael Licata	Board Member
Michael Timo.....	Board Member
Sal Tripi	Board Member

Charles J. Murphy, Ed.D.	Superintendent of Schools
Bruce H. Singer.....	Assistant Superintendent for Business
Ronald Sacks.....	School Business Administrator
Joan Bencze	Senior Accountant
Diane Kollmer.....	District Treasurer
Carol Adelberg.....	District Clerk

BOND COUNSEL

HAWKINS DELAFIELD & WOOD LLP
New York, New York

FINANCIAL ADVISOR

CAPITAL MARKETS ADVISORS, LLC
Great Neck and New York, New York
(516) 487-9817

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds or 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

SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK SUFFOLK COUNTY, NEW YORK

\$15,000,000

SCHOOL DISTRICT SERIAL BONDS – 2009 SERIES A
(the “Series A Bonds”)

AND

\$3,620,000

SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2009 SERIES B
(the “Series B Bonds” and collectively with the Series A Bonds, referred to as the “Bonds”)

AND

\$10,000,000

BOND ANTICIPATION NOTES FOR SCHOOL CONSTRUCTION – 2009
(the “BANs”)

AND

\$40,000,000

TAX ANTICIPATION NOTES FOR 2009-2010 TAXES
(the “TANs” and collectively with the BANs, referred to as the “Notes”)

[Book-Entry-Only Bonds and Notes]

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, presents certain information relating to the Sachem Central School District at Holbrook, in the County of Suffolk, in the State of New York (the “District”, “County” and “State,” respectively) in connection with the sale of \$15,000,000 School District Serial Bonds – 2009 Series A (the “Series A Bonds”), \$3,620,000 School District Refunding Serial Bonds (the “Series B Bonds” and collectively with the Series A Bonds, referred to as the “Bonds”), \$10,000,000 Bond Anticipation Notes for School Construction – 2009 (the “BANs”) and \$40,000,000 Tax Anticipation Notes for 2009-1010 Taxes (the “TANs” and collectively with the BANs, referred to as 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 Bonds and the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description

The Series A Bonds are dated August 15, 2009 and will bear interest from that date until maturity, payable on August 15, 2010 and semiannually thereafter on February 15 and August 15 in each year until maturity. The Series A Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover page hereof. The Series A Bonds maturing in the years 2010 to 2019, inclusive, will not be subject to redemption prior to maturity. The Series A Bonds maturing in the years 2020 and thereafter will be subject to redemption prior to maturity as described herein. See “Optional Redemption” herein.

The Series B Bonds are dated their Date of Delivery and will bear interest from that date until maturity, payable on March 15, 2010 and semiannually thereafter on March 15 and September 15 in each year until maturity. The Series

B Bonds shall mature on September 15 in each year in the principal amounts specified on the inside cover page hereof. The Series B Bonds are not subject to redemption prior to maturity.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository (defined herein) for the Bonds. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners of the Bonds as described under "Book-Entry-Only System," herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The record payment date for the payment of principal of and interest on the Bonds is the last business day of the calendar month preceding each interest payment date.

Authority for and Purpose of the Series A Bonds

The Series A Bonds are issued pursuant to the Constitution and laws of the State, and a bond resolution adopted by the Board of Education of the District on March 18, 2008, following approval of a proposition by a majority of the voters of the District at a District Meeting on March 11, 2008, authorizing the issuance of \$33,141,716 of bonds by the District to fund the construction of improvements and alterations to various District buildings and the sites thereof. Proceeds from the sale of the Series A Bonds, together with the BANs, will be used to provide original financing pursuant to this authorization.

Authorization and The Refunding Plan for the Series B Bonds

The Series B Bonds are issued pursuant to the Constitution and Laws of the State of New York, including among others, the Education Law and the Local Finance Law, and the refunding bond resolution duly adopted by the Board of Education September 7, 2006 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of various outstanding bonds of the District. The Refunded Bonds were originally issued to finance the construction of a new addition and the renovation of the Sachem Public Library building. A refunding financial plan has been prepared and is described below (the "Refunding Plan").

The Bonds are being issued to refund, \$3,675,000 outstanding principal of the District's Library Building Serial Bonds of 1998, which mature in the years 2010 to 2018, inclusive (the "Refunded Bonds"). The Refunded Bonds were issued in the original principal amount of \$6,935,000. Under the Refunding Plan, the Refunded Bonds are to be called and redeemed on October 16, 2009. The net proceeds of the Series B Bonds (after payment of the underwriting fee and other costs of issuance relating to the Series B Bonds) will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the "Government Obligations") which, together with remaining cash proceeds from the sale of the Series B Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") to be held by The Bank of New York Mellon, (the "Escrow Holder") a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Series B Bonds (the "Escrow Contract"). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premium of the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the refunding bond resolution of the District and the Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all investment income from, and maturing principal of the Government Obligations, along with other available monies held in the Escrow Fund. The Escrow Contract shall terminate upon final payment by the Escrow Holder to the paying agents/fiscal agent for the Refunded Bonds amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest and the redemption premium payable with respect thereto.

The Refunding Plan will permit the District to realize, as a result of the issuance of the Series B Bonds, cumulative dollar and present value debt service savings.

Under the Refunding Plan, the Refunded Bonds will continue to be general obligations of the District. However, inasmuch as the Government Obligations held in the Escrow Fund will be sufficient to meet all required payments of principal, interest and redemption premium requirements when required in accordance with the Refunding Plan, it is not anticipated that any other source of payment will be required.

Sources and Uses of Proceeds

Sources:

Bond Proceeds:

Par Amount	\$3,620,000.00
Original Issue Premium (Discount)	<u>186,871.85</u>

Total:	<u>\$3,806,871.85</u>
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Uses:

Refunding Escrow Deposits:	\$3,725,951.39
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Delivery Date Expenses:

Costs of Issuance and Contingency	61,647.80
Underwriter's Fee	<u>19,272.66</u>

Total:	<u>\$3,806,871.85</u>
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Verification of Mathematical Computations

Causey Demgen & Moore Inc. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Series B Bonds, of: (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds, and (2) the computations of the yield on both the Government Obligations and the Series B Bonds contained in the provided schedules to be used by Bond Counsel in its determination that the interest on the Series B Bonds is excludable from gross income for Federal income tax purposes. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Series B Bonds.

THE NOTES

Description

The BANs will be dated August 27, 2009 and will mature, without option of prior redemption, on August 27, 2010. The TANs will be dated August 27, 2009 and will mature, without option of prior redemption, on June 23, 2010. The Notes will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository (defined herein) for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Notes.

Principal of and interest on the Notes will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants (defined herein), for subsequent distribution to the Beneficial Owners of the Notes as described under "Book-Entry-Only System," herein. The Notes may be transferred in the manner described on the Notes and as referenced in certain proceedings of the Town referred to therein.

Authority for and Purpose – The BANs

The BANs are issued pursuant to the Constitution and laws of the State, and a bond resolution adopted by the Board of Education of the District on March 18, 2008, following approval of a proposition by a majority of the voters of the District at a District Meeting on March 11, 2008, authorizing the issuance of \$33,141,716 of bonds by the District to fund the construction of improvements and alterations to various District buildings and the sites thereof. Proceeds from the sale of the BANs, together with the Series A Bonds, will be used to provide original financing pursuant to this authorization.

Authority for and Purpose – The TANs

The TANs 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 the District to finance cash flow requirements in anticipation of the collection of 2009-2010 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the TANs may be used only for the purposes for which such taxes were or are to be levied, as specified in the 2009-2010 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 TANs will not be used for the redemption or renewal of any outstanding tax or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the TANs and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2009-2010 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 TANs. Interest on the TANs will be provided from budget appropriations.

Optional Redemption

The Series A Bonds maturing on or before August 15, 2019 are not subject to redemption prior to maturity. The Series A Bonds maturing on or after August 15, 2020 will be subject to redemption prior to maturity, at the option of the District, on any date on or after August 15, 2019, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the redemption price of 100% of the par amount of the Series A Bonds to be redeemed, plus accrued interest to the date of redemption.

The Series B Bonds are not subject to optional redemption prior to maturity.

The District may select the maturities of the Series A Bonds to be redeemed prior to maturity and the amount to be redeemed of each maturity selected, as the District shall determine to be in the best interest of the District at the time of such redemption. If less than all of the Series A Bonds of any maturity are to be redeemed prior to maturity, the particular Series A Bonds of such maturity to be redeemed shall be selected by the District by lot in any customary manner of selection as determined by the District. Notice of such call for redemption shall be given by mailing such notice to the registered owner not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Series A Bonds so called for redemption shall, on the date of redemption set forth in such call for redemption, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

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

Nature of Obligation

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

The Bonds and 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 Bonds and the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District without limitation as to rate or amount.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds and the Notes. The Bonds and the Notes will be issued as fully-registered bonds and 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 bond certificate will be issued for each maturity of the Series A Bonds and Series B Bonds, respectively, and will be deposited with DTC. One fully-registered note certificate will be issued for each of the BANs and TANs, respectively, bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

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

To facilitate subsequent transfers, all Bonds and the 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 Bonds and 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 Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and the 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 Bonds and 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 County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds and 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 County, 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and 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

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

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

The District is dependent in part on financial assistance from the State in the form of State aid. In some recent years, the District's receipt of State aid was delayed as a result of the State's delay in adopting its budget and appropriating State aid to municipalities and school districts. No delay in payment of State aid for the District's current or next fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof.

The District is dependent in part on financial assistance from the State in the form of State aid. No delay in payment of State aid for the District's current or next fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. Should the District fail to receive moneys expected from the State in the amounts and at the times expected, 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

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 attorney for the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

Aurora Contractors, Inc. v. Sachem Central School District: On or about August 17, 2006, Aurora Contractors, Inc. (hereinafter referred to as "Plaintiff") commenced a lawsuit in the Supreme Court of Suffolk County. Aurora and the School District entered into a contract for general construction work to be performed at the East High School. Plaintiff seeks \$2,000,000 for breach of contract and unjust enrichment. The District answered the complaint denying those claims and asserting its own counter claim against Aurora Contractors in the amounts of \$1,000,000 for damages. The parties continue to conduct discovery in this matter.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds and the Notes (collectively, the "Tax-Exempt Obligations") 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"), (ii) interest on the Series A Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (iii) interest on the Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations 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 on such corporations. The Arbitrage

and Use of Proceeds Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Tax-Exempt Obligations, 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 and others in connection with the Tax-Exempt Obligations, and Bond Counsel has assumed compliance by the District with certain 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 Tax-Exempt Obligations from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds and notes apply to the Series A Bonds and the Notes.

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

Bond Counsel to the District expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax-Exempt Obligations. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Obligations, or on the exemption of interest on the Tax-Exempt Obligations from state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Obligations in order that interest on such Tax-Exempt Obligations 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 Tax-Exempt Obligations, 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 Tax-Exempt Obligations 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 Tax-Exempt Obligations 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 Tax-Exempt Obligations. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt Obligation. 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 Tax-Exempt Obligations.

The Series A Bonds and the Notes are not taken into account (subject to certain limitations) in determining the portion of a financial institution’s interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligations. The Series A Bonds and the Notes, however, are taken into account in the calculation of the amount of a financial institution’s preference items under Section 291 of the Code.

Prospective owners of the Tax-Exempt Obligations 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 Tax-Exempt Obligations 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 Tax-Exempt Obligation (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Obligations of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Tax-Exempt Obligations is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Obligation having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond 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 Tax-Exempt Obligations.

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

Owners of Discount Tax-Exempt Obligations 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 Tax-Exempt Obligations.

Bond Premium

In general, if an owner acquires a Tax-Exempt Obligation 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 Tax-Exempt Obligation after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Obligation (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Tax-Exempt Obligations should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Tax-Exempt Obligations.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest on tax-exempt obligations, including the Tax-Exempt Obligations. 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 unless the recipient is one of a limited class of exempt recipients, including corporations. 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 Tax-Exempt Obligation 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 Tax-Exempt Obligations 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 action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Obligations under Federal or state law and could affect the market price or marketability of the Tax-Exempt Obligations.

Prospective purchasers of the Tax-Exempt Obligations should consult their own tax advisors regarding the foregoing matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND THE NOTES

Absence of Litigation

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

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds and the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Bonds and the Notes and will be to the effect that the Bonds and the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit, and all the taxable real property within the District is subject to the levy of ad valorem real estate taxes to pay the Bonds and the Notes and interest thereon without limitation of rate or amount. Said opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to such Bonds and Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which have been or

may be furnished or disclosed to purchasers of the Bonds and the Notes, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

Closing Certificates

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

DISCLOSURE UNDERTAKING

Disclosure Undertaking for the Bonds

At the time of the delivery of the Bonds, the District will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking,:

(1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings "Litigation" and in Appendix A under the headings: "The District", "Financial Factors", "Tax Information", "District Indebtedness" and "Economic and Demographic Data"; and in Appendix B, on or prior to the 270th day following the end of each fiscal year, commencing with the fiscal year ending June 30, 2009 and (ii) the audited financial statement, if any, of the District for each fiscal year commencing with the fiscal year ending June 30, 2009 unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be provided within 30 days after it becomes available and in no event later than 360 days after the end of each fiscal year;

(2) timely notice of the occurrence of any of the following events, if such event is material:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to the rights of holders of Bonds; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.

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

(3) in a timely manner, notice of a failure to provide the annual financial information by the date specified.

The District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a Holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

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

The District is in compliance in all material respects with all previous undertakings made pursuant to the Rule 15c2-12.

Disclosure Undertaking for the Notes

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Material Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice of the occurrence of any of the following events with respect to the Notes, if material:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Notes; (vii) modifications to rights of Noteholders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes; and (xi) rating changes.

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

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

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

The District is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12.

RATINGS

On August 19, 2009, S&P affirmed the District's underlying credit rating of "AA+" and assigned a rating of "SP1+" to the BANs and the TANs.

Such ratings reflect only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, at the following address: Standard & Poor's Corporation, 25 Broadway, New York, New York 10004. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of S&P circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such bonds or notes or the availability of a secondary market for those bonds or notes.

FINANCIAL ADVISOR

Capital Market Advisors, LLC, Great Neck and New York, New York (the "Financial Advisor"), has served as the independent Financial Advisor to the District in connection with this transaction.

In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds and the Notes.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the District, its operations and the balances, receipts and disbursements of the various funds of the District are available for inspection at the District's business office.

Additional information may be obtained from the District's Financial Advisor, Capital Markets Advisors, LLC, One Great Neck Road, Suite One, Great Neck, New York, 11021, (516) 487-9817 or from the District's Assistant Superintendent for Business, Mr. Bruce Singer (631) 471-1321.

The District will act as Paying Agent with respect to the Bonds and Notes. The District Clerk, Carol Adelberg, (631) 471-1331, cadelberg@sachem.edu should be used as the Paying Agent contact.

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

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. 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. Capital Markets Advisors, LLC 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 Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC 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. Capital Markets Advisors, LLC and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK

By: /s/ Anthony Falco
President of the Board of Education

DATED: August 19, 2009

APPENDIX A

THE DISTRICT

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THE DISTRICT

General Information

The District is located in the west-central portion of Suffolk County encompassing sections of the Towns of Brookhaven, Islip and Smithtown, and the Village of Lake Grove. The District contains all or part of the communities of Farmingville, Holbrook, Holtsville, Lake Ronkonkoma and Ronkonkoma. The District, which encompasses an area of approximately 24 square miles and has a population estimated at 75,634, is one of the five largest suburban school districts in New York State.

The District is primarily residential in nature with single and two family residences, apartment buildings and condominium complexes. Some of the major employers include the Internal Revenue Service, Symbol Technologies, Suffolk Community College and the Federal Aviation Authority. These facilities, as well as other diversified light industries provide considerable employment to residents of the District.

The District is serviced by the main line of the Long Island Rail Road which operates three stations within the District. Major road arteries that transverse the District includes the Long Island Expressway, Veterans Memorial Highway and Sunrise Highway.

Public water is supplied by the Suffolk County Water Authority and private wells. Police protection is provided by the Suffolk County Police Department, while fire protection is provided by local volunteer fire districts. Gas and electric are furnished by Long Island Power Authority ("LIPA") and National Grid.

District Organization

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

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

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

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Business.

Financial Statements and Accounting Procedures

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors, and are available for public inspection upon request.

Budgetary Procedure

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. Under the current law, the budget is submitted to voter referendum on the third Tuesday of May each year. The District's 2009-2010 fiscal year budget was approved by the voters of the District on May 19, 2009. A summary of the District's budgets for

the last and current fiscal year may be found in Appendix B, attached hereto.

School Enrollment Trends

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

TABLE 1
School Enrollment Trends

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Actual</u> <u>Enrollment</u>	<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Projected</u> <u>Enrollment</u>
2005	15,612	2010	15,300
2006	15,576	2011	15,300
2007	15,327	2012	15,300
2008	15,157	2013	15,300
2009	15,357	2014	15,300

Source: Sachem Central School District at Holbrook, Office of the Assistant Superintendent for Business.

District Facilities

The District operates eighteen schools; statistics relating to which are shown below.

TABLE 2
School Statistics

<u>Name</u>	<u>Capacity</u>	<u>Year Built/Rebuilt</u>	<u>Grade</u>
Cayuga Elementary School	744	1969, 1975	K-5
Chippewa Elementary School	744	1967, 1975	K-5
Gatelot Avenue Elementary School	770	1947, 1953, 1956, 1971, 1975	K-5
Grundy Avenue Elementary School	821	1956, 1965, 1975	K-5
Hiawatha Elementary School	770	1963, 1975	K-5
Lynwood Avenue Elementary School	720	1956, 1962, 1975	K-5
Merrimac Elementary School	744	1969, 1975	K-5
Nokomis Elementary School	821	1960, 1975	K-5
Tamarac Elementary School	770	1971, 1975	K-5
Tecumseh Elementary School	770	1970, 1975	K-5
Waverly Avenue Elementary School	770	1925, 1951, 1956, 1965, 1975	K-5
Wenonah Elementary School	770	1967, 1975	K-5
Sagamore Middle School	1,700	1962, 1980	6-8
Seneca Middle School	1,700	1970, 1980	6-8
Samoset Middle School	1,619	1957, 1980	6-8
Sequoia Middle School	1,001	2004	6-8
Sachem High School North	2,076	1970, 1988	9-12
Sachem High School East	2,520	2004	9-12

Source: Sachem Central School District at Holbrook, Office of the Assistant Superintendent for Business.

Employees

The District provides services through 1,906 employees, some of whom are represented by the following units of organized labor.

TABLE 3
Employees

<u>Number of Employees</u>	<u>Organization</u>	<u>Contract Expiration Date</u>
40	Sachem Administrator's Association	6/30/11
11	Sachem Supervisors Association	6/30/11
1,230	Sachem Central Teachers' Association	6/30/13
115	Teacher Assistants, Interpreters and Job Coaches	6/30/10
145	Teachers Aide Unit	6/30/10
21	Registered Nurses	6/30/09 ⁽¹⁾
181	SSDEU-Custodians	6/30/09 ⁽¹⁾
147	UPSEU-Clerical	6/30/09 ⁽¹⁾
7	Managerial Confidential – Clerical	6/30/09 ⁽¹⁾
9	Non-Aligned Administrators	6/30/09 ⁽¹⁾

(1) In negotiation.

Source: District's Office of the Assistant Superintendent for Business.

Employee Pension Benefits

Substantially all employees of the District are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary.

On May 14, 2003, the Governor signed a pension reform bill into law as Chapter 49 of the Law of 2003 ("Chapter 49"). Chapter 49 changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the Town. Under the previous method, the District was not provided with the required payment until after its budget was implemented. Under the reforms implemented by Chapter 49, the employer contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the District is notified of and can include the actual cost of the employer contribution in its budget. Chapter 49 also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible.

During its 2004 Session the New York State Legislature enacted further pension relief in the form of Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 changed the pension payment date for all local governments from December 15 to February 1 and permits the legislative body of a municipality or school district to establish a retirement contribution reserve fund for the purpose of financing retirement contributions in the future.

The New York State Retirement System has advised the District that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount. The District has prepaid its employer contributions each December since the option was made available in 2004.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 and subsequent years will be higher than the minimum contribution rate established by Chapter 49. At this time the District is unable to predict the amount of any such increase. To mitigate the expected increases in the employer contribution rate, Comptroller DiNapoli has proposed legislation that would permit local governments and schools districts to issue bonds to fund the required increased contribution.

Other Post Employment Benefits

Recently enacted accounting rule, 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 2 years for the District.

The District is in compliance with the requirements of GASB 45. The District hired Actuarial Solutions which has completed the District's GASB 45 Audit. Actuarial Solutions has determined that the District's actuarial accrued liability ("AAL") for OPEB as of March 31, 2007 was approximately \$322,000,000. For the year ended June 30, 2008, the District's ARC was \$24,684,175 and the District's cumulative net OPEB obligation at June 30, 2008 was approximately \$19,667,937. 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.

Investment Policy Permitted Investments

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys in banks and trust company 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; (5) certificates of participation issued in connection with installments purchase contracts 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 instruments and 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 instruments and investments 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 in 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.

FINANCIAL FACTORS

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2008 is contained in Appendix B attached hereto. As reflected in Appendix B attached hereto, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

Real Property Taxes

The District derives a major portion of its revenues from a tax on real property (see "Statement of Revenues, Expenditures and Changes in Fund Balance" in Appendix B, attached hereto). Property taxes accounted for 55.0% of total general fund revenues for the fiscal year ended June 30, 2008, while State aid accounted for 42.4%.

The following table sets forth total general fund revenues and real property tax revenues during the last five audited fiscal years and the amounts budgeted for the two most recent fiscal years.

TABLE 4
Property Tax

Fiscal Year <u>Ended June 30:</u>	Total <u>Revenues ⁽¹⁾</u>	Real Property <u>Taxes ⁽²⁾</u>	Real Property Taxes <u>to Revenues</u>
2004	\$217,553,883	\$119,645,100	55.0%
2005	239,314,414	132,861,088	55.5
2006	258,124,580	147,269,682	57.0
2007	267,638,192	149,632,948	55.9
2008	270,917,869	149,042,029	55.0
2009 (Adopted Budget) ⁽³⁾	279,401,007	148,172,379	53.0
2010 (Adopted Budget) ⁽⁴⁾	274,194,940	145,180,042	52.9

(1) General Fund.

(2) Exclusive of the taxes collected by the District on behalf of the Sachem Public Library. See Appendix B attached hereto.)

(3) The District's 2008-2009 fiscal year budget was approved by voters of the District on May 20, 2008.

(4) The District's 2009-2010 fiscal year budget was approved by voters of the District on May 19, 2009.

Source: Audited Financial Statements and Adopted Budgets of the District. This summary is not audited.

State Aid

The District receives State aid for operating other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute.

The following table sets forth total general fund revenues and State aid revenues during the last five fiscal years and the amount budgeted for the two most recent fiscal years.

TABLE 5
State Aid

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Total</u> <u>Revenues ⁽¹⁾</u>	<u>State Aid</u>	<u>Real Property Taxes</u> <u>to Revenues</u>
2004	\$217,553,883	\$ 94,641,497	43.5%
2005	239,314,414	101,880,606	42.6
2006	258,124,580	105,232,172	40.7
2007	267,638,192	110,588,888	41.3
2008	270,917,869	114,916,874	42.4
2009 (Adopted Budget) ⁽²⁾	279,401,007	116,836,047	41.8
2010 (Adopted Budget) ⁽³⁾	274,194,940	115,283,629	42.0

(1) General Fund.

(2) The District's 2008-2009 fiscal year budget was approved by voters of the District on May 20, 2008.

(3) The District's 2009-2010 fiscal year budget was approved by voters of the District on May 19, 2009.

Source: Audited Financial Statements and Adopted Budgets of the District. This summary is not audited.

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"). The District has received timely STAR aid from the State during recent fiscal years and anticipates timely receipt for the next fiscal year.

Recent Events Affecting State Aid to New York School Districts

On November 12, 2008, in response to the ongoing and worsening national fiscal crisis and its affect on the State, Governor David Paterson unveiled a plan to cut approximately \$2 billion of expenses in the State Budget for the State fiscal year ending March 31, 2009. The proposed cuts would have included an \$836 million reduction in State aid to school districts in the State. Under the Governor's plan, a significant amount of State aid would have been cut from the District's anticipated State aid allotment during its 2008-2009 fiscal year.

On November 18, 2008, the New York State Legislature convened an emergency session to consider the Governor's plan; however, the Legislature concluded such emergency session without taking any action on the Governor's plan. Subsequently, Governor David Paterson stated publicly that the proposed reductions in State aid would not occur during the District's 2008-2009 fiscal year.

On December 16, 2008, Governor David Paterson unveiled his 2009-2010 proposed budget, which included significant reductions in State aid to school districts. On April 2, 2009, the State Legislature adopted the State's budget for the 2009-2010 fiscal year, which maintains State aid funding to school districts at the 2008-2009 levels. The reductions in State aid as originally proposed by Governor Paterson were restored with monies allotted to New York State for the mitigation of State aid reductions to school districts as part of American Reinvestment and Recovery Act of 2009 (the "Federal Stimulus Act").

The District cannot predict at this time whether there will be any reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available for State aid in future years. In the event that there is a reduction in the District's anticipated State aid allotment during its 2009-2010 fiscal year and beyond, the District could mitigate the impact of any reductions by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

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 and not by a cut 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.

General Fund Operations

Appendix B attached hereto sets forth the General Fund operations for the last five fiscal years which are derived from the District's Audited Financial Statements on file in the Superintendent's office.

Other Revenues

In addition to property taxes and State Aid, the District receives other revenues from miscellaneous sources as shown in Appendix B attached hereto.

Cash Flow Projections

The cash flow summaries of the District for the 2008-2009 and 2009-2010 fiscal years, including tax anticipation borrowings and repayment thereof, are set forth in Appendix B, respectively. Such cash flow statements, with respect to future receipts and payments, are estimates only and no representation whatsoever is made that any such estimates will be realized.

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TAX INFORMATION

Real Property Tax Assessment and Rates

The following table sets forth the assessed and full valuation of taxable real property, the District's real property tax levy, including taxes levied for library purposes. The District's assessed value for the three Towns is as follows:

TABLE 6
Real Property Tax Assessments and Rates for the Fiscal Years Ending June 30:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Brookhaven Town</u>					
Assessed Value	\$ 57,359,821	\$ 57,830,681	\$ 57,830,681	\$ 57,340,304	\$ 56,522,543
Equalization Rate %	1.01	0.84	0.76	0.70	0.73
Full Value	5,679,190,198	6,911,657,380	7,609,300,131	8,191,472,000	7,742,814,109
Tax Levy ⁽¹⁾	90,629,803	102,176,557	103,291,107	102,166,511	99,507,681
Tax Rate ⁽²⁾	1,580.02	1,759.91	1,786.10	1,781.76	1,760.50
<u>Islip Town</u>					
Assessed Value	\$ 376,197,928	\$ 376,859,926	\$ 379,144,885	\$ 381,972,233	\$ 381,001,605
Equalization Rate %	13.82	11.98	10.68	9.64	9.64
Full Value	2,722,126,831	3,145,742,287	3,550,045,739	3,962,367,562	3,952,298,807
Tax Levy ⁽¹⁾	43,433,686	46,498,400	48,195,634	49,226,102	50,677,739
Tax Rate ⁽²⁾	115.45	123.38	127.12	128.87	133.01
<u>Smithtown Town</u>					
Assessed Value	\$ 4,836,012	\$ 4,875,004	\$ 4,917,978	\$ 4,919,094	\$ 4,907,887
Equalization Rate %	1.44	1.30	1.21	1.12	1.17
Full Value	335,834,167	375,000,307	406,444,462	439,204,821	419,477,521
Tax Levy ⁽¹⁾	5,159,150	5,544,616	5,517,217	5,494,274	5,411,489
Tax Rate ⁽²⁾	1,066.82	1,137.36	1,121.85	1,116.93	1,102.61
<u>Total</u>					
Assessed Value	\$ 438,393,761	\$ 439,792,852	\$ 441,893,544	\$ 444,231,631	\$ 442,432,035
Full Value	8,737,151,195	10,432,399,974	11,565,790,332	12,593,044,383	12,114,590,437
Tax Levy ⁽¹⁾	139,222,639	154,219,573	157,003,958	156,886,887	155,596,909

(1) Includes library tax.

(2) Per \$1,000 Assessed Value.

Source: New York State Comptroller's Office; New York State Board of Real Property Services.

Tax Limit

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year.

Tax Collection Procedure

In Suffolk County, property taxes for the school districts, together with town and county taxes are collected by the town tax receivers. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% after May 31.

The school districts receive their full levies before the end of their fiscal years. Uncollected amounts are not segregated by the town tax receiver, and any deficiency in tax collection is the County's liability.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Based on information furnished to the District, a portion of the District's 2009-10 school tax levy will be exempt by the STAR Program. The District anticipates that it will receive full reimbursement of exempt taxes prior to January 1, 2010.

Ten of the Largest Taxpayers in the Town of Brookhaven

The following table presents the assessed value of ten of the District's largest taxpayers in the Town of Brookhaven for the 2008-2009 fiscal year.

TABLE 7
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u> ⁽¹⁾
Marketspan Gas Corporation	Utility	\$ 5,600,000	9.91%
Wells Reit-Holtsville, NY, LLC	Commercial	415,625	0.74
LILCO 180	Utility	338,700	0.60
Farmingville Association	Commercial	295,300	0.52
Brookwood Ronkonkoma LLC	Commercial	280,000	0.50
Cenacle Manor Associates, L.P.	Commercial	244,750	0.43
LILCO 43	Utility	214,548	0.38
Northville Dock Corp	Commercial	197,500	0.35
Heatherwood House	Commercial	186,500	0.33
Cavalier Associates LLC	Commercial	<u>184,250</u>	<u>0.33</u>
	Total:	<u>\$7,957,173</u>	<u>14.09%</u>

(1) The District's total assessed value in the Town of Brookhaven for the 2008-2009 fiscal year is \$56,522,543.

(The remainder of this page has been intentionally left blank.)

Ten of the Largest Taxpayers in the Town of Islip

The following table presents the taxable assessments of ten of the District's largest taxpayers in the Town of Islip for the 2009-2010 fiscal year.

TABLE 8
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation ⁽¹⁾</u>
Victorian Gardens LLC	Apartments	\$6,066,300	1.62%
Spruce Pond Co LLC	Apartments	6,025,000	1.61
Heatherwood House	Apartments	5,201,800	1.39
Estate of Marvin L. Linder	Shopping Center	4,852,200	1.29
CLPF-Broadway Knolls LP	Apartments	4,543,000	1.21
Saddle Rock Associates LLC	Apartments	4,100,000	1.09
Sun Lakes Plaza Associates	Shopping Center	3,043,300	0.81
Wilmslow Long Island Properties LLC	Commercial	2,825,000	0.75
Long Island Lighting Company	Utility	2,511,420	0.67
GSM ICA SAF FED717-725 LLC	Commercial	<u>2,394,100</u>	<u>0.64</u>
Total:		<u>\$41,562,120</u>	<u>11.08%</u>

(1) The District's preliminary total assessed value in the Town of Islip for the 2009-2010 fiscal year is \$375,267,991.

Ten of the Largest Taxpayers in the Town of Smithtown

The following table presents the taxable assessments of ten of the District's largest taxpayers in the Town of Smithtown for the 2008-2009 fiscal year.

TABLE 9
Taxable Assessments

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation ⁽¹⁾</u>
422 Smitown BLVD Realty	Commercial	\$ 24,975	0.51%
Ahladiotis Realty LLC	Real Estate	20,000	0.41
LILCO	Utility	16,461	0.34
LIPA	Utility	15,543	0.32
Gibbs Pond Association	Commercial	14,760	0.30
Swaine, Inc.	Commercial	12,910	0.26
Piernonte, Vincent	Real Estate	12,665	0.26
KeySpan	Utility	12,529	0.26
TKK Holdings Inc.	Commercial	12,100	0.25
Lakeside Plaza Inc.	Utility	<u>11,865</u>	<u>0.24</u>
Total:		<u>\$153,808</u>	<u>3.15%</u>

(1) The District's total assessed value in the Town of Smithtown for the 2008-2009 fiscal year is \$ 4,907,887.

DISTRICT INDEBTEDNESS

Constitutional 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 otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds 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 TANs) or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute; 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, as has been noted under "Nature of Obligation", 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.

Statutory Procedure

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specification for such project have been approved by the Commissioner of Education of the State.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedures with respect to the Bonds and the BANs.

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 principal 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 Bonds and the Notes. However, such finance board may delegate the power to sell the Bonds and 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 District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of 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 State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

Remedies Upon Default

Section 99-b of the State Finance Law ("SFL") provides for a covenant between the State of New York (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, apportionment's 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, apportionment's 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 SFL.

Under current law, provision is made for contract creditors (including the Bondholders and the Noteholders) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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 servicing the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Bondholder's or Noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

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

Statutory Debt Limit and Net Indebtedness

The debt limit of the District is \$1,211,459,043, as of August 11, 2009. This is calculated by taking 10% of the current full value of the District.

TABLE 10
Statutory Debt Limit and Net Indebtedness

Full Valuation of Taxable Real Property	\$12,114,590,437
Debt Limit (10% of Full Valuation)	1,211,459,043
Outstanding Indebtedness ⁽¹⁾ (Principal Only):	
Bonds	198,465,000
Refunded Bonds	88,775,000
Bond Anticipation Notes	<u>0</u>
Gross Indebtedness	287,240,000
Less Exclusion for Estimated Building Aid ⁽²⁾	<u>0</u>
Total Net Indebtedness	<u>287,240,000</u>
Net Debt-Contracting Margin	<u>\$ 924,219,043</u>
Percentage of Debt-Contracting Margin Exhausted	<u>23.71%</u>

(1) Tax Anticipation Notes, Revenue Anticipation Notes, Energy Performance Contracts and Lease Purchase Contracts are not included in the computation of the gross indebtedness of the District. (See "Revenue Anticipation Notes", "Tax Anticipation Notes", "Energy Performance Contracts" and "Lease Purchase Contracts" herein.)

(2) The District has received and expects to continue to receive State Aid on a portion of existing indebtedness contracted for school building purposes pursuant to Section 121.20 of the Local Finance Law. However, since the District has not applied for a building aid exclusion certificate from the Commissioner of Education, the District may not exclude such portion from the gross indebtedness. State aid for building purposes is currently estimated by District officials at 76.6% of the District's applicable outstanding indebtedness, with projects approved by District voters between July 1, 1998 and June 30, 2000 receiving an additional 10% State building aid. Bonds issued for the Sachem Public Library do not receive State building aid.

Bond Anticipation Notes

The District currently has no bond anticipation notes outstanding.

Revenue Anticipation Notes

The District has not issued revenue anticipation notes in recent fiscal years.

Tax Anticipation Notes

In common with other school districts in the State, the District finds it necessary to borrow in anticipation of the receipt of its tax levy. In the past, the District has paid all notes on their due date. The following is a history of the District's tax anticipation note borrowing during recent fiscal years.

TABLE 12
TAN Borrowing History

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Date Due</u>
2005	07/22/04	\$46,000,000	6/23/05
2006	07/26/05	60,000,000	6/22/06
2007	07/27/06	50,000,000	6/27/07
2008	08/22/07	54,000,000	6/26/08
2009	10/01/08	36,600,000	6/24/09

Source: Office of the Assistant Superintendent for Business.

Trend of Outstanding Indebtedness

The following table provides information relating to direct capital indebtedness outstanding at year end for the last five fiscal years.

TABLE 13
Outstanding Indebtedness ⁽¹⁾⁽²⁾

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u> ⁽³⁾
Bonds	\$230,460,734	\$222,920,000	\$217,485,000	\$209,130,000	\$200,540,000
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$230,460,734</u>	<u>\$222,920,000</u>	<u>\$217,485,000</u>	<u>\$209,130,000</u>	<u>\$223,469,394</u>

(1) Exclusive of Energy Performance Contracts, Lease Purchase Contracts. (See "Energy Performance Contracts" and "Lease Purchase Contracts" herein.)

(2) Exclusive of economically defeased obligations of the District.

(3) Unaudited.

Source: Audited Financial Statements of the District and Office of the Assistant Superintendent for Business. This summary is not audited.

Overlapping and Underlying Debt

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayers' share of overlapping and underlying debt is based on the amount of the District's equalized property values taken as a percentage of each separate unit's total values. The following table presents the amount of overlapping and underlying debt and the District's share of this debt. Authorized but unissued debt has not been included.

TABLE 14
Statement of Direct and Overlapping Indebtedness

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding as of:</u>	<u>District Share</u>	<u>Amount Applicable To District</u>
Suffolk County	\$ 929,451,446	04/16/09	3.69%	\$ 34,296,758
Town of Brookhaven	397,973,488	12/31/08	9.35	37,210,521
Town of Islip	143,393,053	12/31/08	7.92	11,356,730
Town of Smithtown	17,900,000	12/31/08	2.16	386,640
Village of Lake Grove	0	05/31/08	50.00	<u>0</u>
Total Net Overlapping Debt				\$ 83,250,649
Total Net Direct Debt				<u>287,240,000</u>
Net Direct and Overlapping Debt				<u>\$370,490,649</u>

Source: County, Town and Village officials.

Debt Ratios

The following table presents certain debt ratios relating to the District's direct and overlapping indebtedness.

TABLE 15
Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita⁽¹⁾</u>	<u>Debt to Full Value⁽²⁾</u>
Net Direct Debt	\$287,240,000	\$3,798	2.37%
Net Direct and Overlapping Debt	370,490,649	4,898	3.06

(1) The population of the District is estimated by District officials to be approximately 75,634.

(2) The District's full value of taxable real property for fiscal 2008-2009 is \$12,114,590,437.

Authorized and Unissued Debt

On March 11, 2008, District voters authorized \$33,141,716 in bonds or notes to fund the construction of improvements and alterations to various District buildings and the sites thereof. The Series A Bonds and the BANs are being issued pursuant to this authorization. Following the issuance of the Series A Bonds and the BANs, the District will have \$8,141,716 in authorized but unissued debt pursuant to this authorization.

Debt Service Schedule

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness for the fiscal years listed below, inclusive of the Bonds and exclusive of economically defeased obligations.

TABLE 16
Bond Principal and Interest Maturity Table

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service ⁽¹⁾</u>
2010	\$ 8,875,000	\$ 8,533,379	\$ 17,408,379
2011	9,515,000	8,890,592	18,405,592
2012	9,460,000	8,286,897	17,746,897
2013	9,790,000	7,929,259	17,719,259
2014	10,150,000	7,551,515	17,701,515
2015	10,535,000	7,151,284	17,686,284
2016	10,975,000	6,665,528	17,640,528
2017	11,430,000	6,199,271	17,629,271
2018	11,920,000	5,701,575	17,621,575
2019	12,450,000	5,173,903	17,623,903
2020	9,520,000	4,685,289	14,205,289
2021	7,770,000	4,300,812	12,070,812
2022	8,120,000	3,947,820	12,067,820
2023	8,495,000	3,565,059	12,060,059
2024	8,920,000	3,158,777	12,078,777
2025	9,405,000	2,670,710	12,075,710
2026	9,815,000	2,269,594	12,084,594
2027	10,240,000	1,846,850	12,086,850
2028	10,740,000	1,403,425	12,143,425
2029	11,200,000	939,706	12,139,706
2030	11,685,000	449,384	12,134,384
2031	<u>4,475,000</u>	<u>97,891</u>	<u>4,572,891</u>
Totals	<u>\$215,485,000</u>	<u>\$101,418,518</u>	<u>\$316,903,518</u>

(1) For the entire fiscal year.

Source: Audited Financial Statements of the District and Office of the Assistant Superintendent for Business. This summary is not audited.

Energy Performance Contracts

The District has entered into the following Energy Performance Contracts:

TABLE 17
Energy Performance Contracts⁽¹⁾

<u>Description of Issue</u>	<u>Issue Year</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding at July 1, 2009</u>
HVAC upgrade	2004	2011	3.23%	\$1,293,080
Energy Management System	2004	2014	3.50	<u>2,550,518</u>
		Total		<u>\$3,843,598</u>

(1) In October 2004, the District issued a lease to refinance the outstanding debt associated with two outstanding Energy performance contracts. Savings realized through such transaction were in excess of \$540,000.

Source: Office of the Assistant Superintendent for Business.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The District estimates its population to be approximately 75,634. The following table presents population trends for the Towns of Brookhaven, Islip and Smithtown, County and State, based upon recent census data.

TABLE 18
Population Trend

	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>Percentage Change</u>	
				<u>1990/1995</u>	<u>1995/2000</u>
Brookhaven, Town	407,977	418,143	448,248	2.49%	7.20%
Islip, Town	299,587	306,175	322,612	2.20	5.37
Smithtown, Town	113,406	115,667	115,715	1.99	0.04
County	1,321,864	1,348,750	1,419,369	2.03	5.24
State	17,990,778	18,150,928	18,976,475	0.89	4.55

Source: New York State Department of Commerce; New York State Department of Economic Development.

Income

The following table presents median family income for the Towns of Brookhaven, Islip and Smithtown, County and State. Data provided in the following table is not necessarily representative of the District.

TABLE 19
Median Family Income

	<u>1998</u>	<u>2000</u>
Brookhaven, Town	\$66,739	\$67,973
Islip, Town	70,137	68,926
Smithtown, Town	85,152	N/A
County	70,781	72,115
State	38,885	43,602

Source: New York State Department of Commerce; New York State Department of Economic Development.

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the towns of Brookhaven, Islip and Smithtown (the "Towns"), County and State. Data provided in the following table is not necessarily representative of the District.

TABLE 20
Largest Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Estimated Number Of Employees</u>
State University of New York at Stony Brook	Education	7,000
Brookhaven National Laboratory	Research	3,200
Internal Revenue Service	Government	3,000
Sachem Central School District	Education	2,315
Suffolk Community College	Education	1,790
Federal Aviation Authority	Government	1,200
E.B. Simpson Co., Inc.	Manufacturing	900
Allstate Insurance Company	Insurance	800
Majestic Molded Plastics	Manufacturing	340

Source: Office of the Assistant Superintendent for Business.

TABLE 21
Civilian Labor Force

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Brookhaven, Town	250,100	253,200	258,300	259,600	261,300
Islip, Town	173,500	174,900	176,600	177,100	178,600
Smithtown, Town	61,700	62,200	62,600	62,800	63,100
County	770,800	778,900	787,900	791,100	796,400
State	9,360,100	9,442,900	9,530,100	9,574,800	9,679,600

Source: New York State Department of Economic Development: Bureau of Economic and Demographic Information.

Unemployment rates are not compiled for the District, but are available for the County and State. Data provided in the following table is not necessarily representative of the District.

TABLE 22
Yearly Average Unemployment Rates

<u>Year</u>	<u>Brookhaven Town</u>	<u>Islip Town</u>	<u>Smithtown Town</u>	<u>County</u>	<u>State</u>
2004	4.6%	4.8%	4.2%	4.7%	5.8%
2005	4.2	4.4	3.7	4.2	5.0
2006	4.0	4.1	3.5	4.0	4.6
2007	3.9	4.0	3.4	3.9	4.5
2008	4.9	5.3	4.4	5.0	5.4

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

TABLE 23
Monthly Unemployment Rates

<u>Month</u>	<u>Brookhaven Town</u>	<u>Islip Town</u>	<u>Smithtown Town</u>	<u>County</u>	<u>State</u>
July 2008	5.4%	5.6%	4.6%	5.2%	5.5%
August	5.5	5.6	4.5	5.2	5.6
September	5.2	5.6	4.6	5.2	5.7
October	5.1	5.4	4.5	5.1	5.7
November	5.4	5.6	4.8	5.5	6.1
December	5.9	6.3	5.1	6.1	6.8
January 2009	7.0	7.5	5.9	7.2	7.6
February	7.6	8.2	6.4	7.9	8.4
March	7.3	7.9	6.1	7.5	8.1
April	6.7	7.1	5.7	6.8	7.5
May	6.8	7.4	6.1	7.0	7.9
June	7.4	8.0	6.8	7.5	8.6

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

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APPENDIX B

**FINANCIAL STATEMENT SUMMARIES
AND
CASH FLOW STATEMENTS**

(Summary itself is not audited.)

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SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK, NY
Summary of Budgeted Revenues and Expenditures - General Fund
Fiscal Year Ending June 30:

	<u>2009</u> ⁽¹⁾	<u>2010</u> ⁽²⁾
<u>Revenues:</u>		
Real Property Tax ⁽³⁾	\$148,172,379	\$145,180,042
State Aid	116,836,047	115,283,629
Miscellaneous	6,392,581	5,231,269
Appropriated Fund Balance	<u>8,000,000</u>	<u>8,500,000</u>
Total Revenues	<u><u>\$279,401,007</u></u>	<u><u>\$274,194,940</u></u>
 <u>Expenditures:</u>		
General Support	\$28,194,184	\$27,656,634
Instructional Support	158,199,313	155,636,847
Transportation	18,962,318	17,401,354
Community Services	0	0
Employee Benefits	52,845,714	53,523,268
Debt Service	20,649,478	19,576,837
Interfund Transfers	<u>550,000</u>	<u>400,000</u>
Total Expenditures	<u><u>\$279,401,007</u></u>	<u><u>\$274,194,940</u></u>

(1) The District's 2008-2009 fiscal year budget was approved by the Board of Education on May 20, 2008.

(1) The District's 2009-2010 fiscal year budget was approved by the Board of Education on May 19, 2009.

(3) Exclusive of Library Tax.

Source: Adopted Budgets of the Sachem CSD at Holbrook.

Sachem Central School District at Holbrook, NY
Combined Balance Sheet
General Fund
Fiscal Year Ending June 30:

	<u>2007</u>	<u>2008</u>
Assets		
Unrestricted Cash	\$35,215,838	\$35,629,765
Investments	0	0
Due from Other Funds	3,138,591	4,171,322
State and Federal Aid	10,256,988	7,093,587
Other Receivables	27,541	585,019
	<hr/>	<hr/>
Total Assets	<u><u>\$48,638,958</u></u>	<u><u>\$47,479,693</u></u>
Liabilities & Deferred Revenue		
Accounts Payable	\$1,793,355	\$1,915,110
Accrued Liabilities	4,550,696	382,090
Due to Other Governments	348,769	241,074
Due to Other Funds	1,318,676	6,024
Due to Retirement Systems	13,858,876	12,556,266
Compensated Absences	1,020,398	211,903
Deferred Revenues	6,800	18,262
	<hr/>	<hr/>
Total Liabilities & Deferred Revenue	<u><u>\$22,897,570</u></u>	<u><u>\$15,330,729</u></u>
Fund Equity		
Investment in General Fixed Assets		
Reserved Fund Balance:		
Reserve for Encumbrances	\$0	\$0
Reserve for Unemployment	100,000	104,072
Reserve for Long-term Disability	281,000	292,444
Reserve for Workers' Compensation	7,177,802	7,470,118
Reserve for Employee Benefits	3,085,534	5,106,290
Unreserved Fund Balance:		
Designated for Subsequent Year	6,876,815	8,000,000
Undesignated	8,220,237	11,176,040
	<hr/>	<hr/>
Total Fund Equity	<u><u>\$25,741,388</u></u>	<u><u>\$32,148,964</u></u>
Total Liabilities and Fund Equity	<u><u>\$48,638,958</u></u>	<u><u>\$47,479,693</u></u>

Source: Audited Financial Statements of the District. Summary itself is not audited.

Sachem Central School District at Holbrook, NY
Consolidated Statement of Revenues, Expenses and Fund Balances
General Fund
Fiscal Year Ending June 30:

	2004	2005	2006	2007	2008
Revenues					
Real Property Taxes	\$100,538,009	\$112,116,520	\$125,370,690	\$127,678,841	\$128,016,295
Other Real Property Tax Items	19,107,091	20,744,568	21,898,992	21,954,107	21,025,734
Charges of Services	1,152,452	1,570,059	1,523,899	1,432,761	1,613,289
Use of Money and Property	833,807	1,152,472	2,502,022	3,359,099	2,526,091
Forfeitures	23,568	0	0	0	0
Sales of Property and Comp. for Loss	260,250	491,011	281,282	444,724	559,697
Miscellaneous	599,850	1,166,643	1,073,244	2,121,800	2,176,646
Interfund Revenue	-	3,435	1,939	47,510	40,506
State Aid	94,641,497	101,880,606	105,232,172	110,588,888	114,916,874
Federal Sources	397,359	189,100	240,340	10,462	42,737
Total Revenues	217,553,883	239,314,414	258,124,580	267,638,192	270,917,869
Other Sources					
Interfund Transfers					
Total Revenues and Other Sources	\$217,553,883	\$239,314,414	\$258,124,580	\$267,638,192	\$270,917,869
Expenditures					
General Support	\$20,040,800	\$23,038,089	\$23,268,716	\$25,281,849	\$27,140,697
Instruction	136,738,188	147,347,663	144,884,292	147,462,815	147,785,986
Pupil Transportation	11,975,558	14,138,569	14,391,130	15,062,313	16,751,130
Community Services	0	0	0	0	0
Employee Benefits	31,602,089	36,584,055	47,190,127	49,787,441	49,182,887
Debt Service	17,187,934	20,889,447	22,998,348	22,098,840	21,322,778
Total Expenditures	217,544,569	241,997,823	252,732,613	259,693,258	262,183,478
Other Uses					
Interfund Transfers In	845	1,085,000	4,036,397	1,021,261	550,000
Interfund Transfers Out	(444,000)	(240,000)	(180,000)	(2,307,160)	(2,876,815)
Total Other Financing Sources	(443,155)	845,000	3,856,397	(1,285,899)	(2,326,815)
Total Expenditures and Other Uses	\$217,987,724	\$241,152,823	\$248,876,216	\$260,979,157	\$264,510,293
Excess (Deficit) Revenues Over Expenditures	(\$433,841)	(\$1,838,409)	\$9,248,364	\$6,659,035	\$6,407,576
Other Changes in Fund Balance					
Plus:				494,966	
Less:					
Residual Equity Transfer					
Net Increase (Decrease)	(\$433,841)	(\$1,838,409)	\$9,248,364	\$7,154,001	\$6,407,576
Fund Balance Beginning of Fiscal Year	\$11,611,273	\$11,177,432	\$9,339,023	\$18,587,387	\$25,741,388
Fund Balance End of Fiscal Year	\$11,177,432	\$9,339,023	\$18,587,387	\$25,741,388	\$32,148,964

Source: Audited Financial Statements of the District. This summary is not audited.

SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK

CASH FLOW

JULY 1, 2008 - JUNE 30, 2009

Unaudited

MONTH	JUL	AUG	SEPT	OCT	NOV	DEC 1-19	DEC 20-31	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
BALANCE (Beginning)(1)	35,629,765	29,260,800	21,528,122	16,206,540	29,698,400	15,441,100	6,505,376	3,476,645	57,363,096	55,291,148	78,323,142	57,600,680	64,536,511	35,629,765 146,761,110
RECEIPTS														
Property Taxes (2)	0	0	0	0	0		1,478,640	60,459,452	14,913,835	3,475,579	1,288,374	3,974,348	51,144,447	136,734,675
STAR Reimbursement	0	0	0	0	0	0	0	18,467,384	0	0	0	0	0	18,467,384
State Aid	2,327,245	2,574,269	11,901,960	2,205,021	5,691,164	9,507,625	100,027	676,366	676,366	36,587,151	2,325,023	21,080,601	11,795,305	107,448,123
Other Receipts	391,303	637,098	240,925	325,615	348,796	187,432	792,277	425,752	1,292,353	784,931	1,603,356	787,497	1,866,838	9,684,173
Interfund Transfers	1,239,838	55,701	1,346,479	400,890	129,914	777,360	3,000,000	3,959,675	1,480,579	1,245,661	435,214	860,502	511,148	15,442,961
Note Proceeds-TAN's	0	0	0	36,600,000	0	0	0	0	0	0	0	0	0	36,600,000
TOTAL RECEIPTS	3,958,386	3,267,068	13,489,364	39,531,526	6,169,874	10,472,417	5,370,944	83,988,629	18,363,133	42,093,322	5,651,967	26,702,948	65,317,738	324,377,316
DISBURSEMENTS														
Salaries	1,731,373	3,622,138	11,232,677	11,512,540	11,798,928	12,671,828	5,630,586	11,356,215	11,809,808	11,994,152	11,504,125	11,750,338	28,118,475	144,733,183
Other Disbursements	3,616,301	6,496,850	6,077,649	7,597,790	7,794,920	3,784,052	2,769,089	11,500,769	6,904,377	5,589,575	8,943,301	7,189,899	16,096,490	94,361,062
Transfer to Note Pay Acct - TAN	0	0	0	0	0	0	0	0	0	0	0	0	36,600,000	36,600,000
Interfund Transfers	1,151,496	177,346	346,480	1,500,890	129,914	907,274	0	5,459,675	1,017,484	681,335	499,563	123,468	1,247,911	13,242,836
Note Interest Payment	0	0	0	0	0	0	0	0	0	0	0	0	926,344	926,344
Debt Service	3,124,769	0	450,728	4,725,034		1,341,575	0	1,082,107	0	92,853	4,724,028	0	3,354,289	18,895,383
Library Payment	703,412	703,412	703,412	703,412	703,412	703,412	0	703,412	703,412	703,412	703,412	703,412	703,417	8,440,949
TOTAL DISBURSEMENTS	10,327,351	10,999,746	18,810,946	26,039,666	20,427,174	19,408,141	8,399,675	30,102,178	20,435,081	19,061,327	26,374,429	19,767,117	87,046,926	317,199,757
BALANCE (Ending)	<u>29,260,800</u>	<u>21,528,122</u>	<u>16,206,540</u>	<u>29,698,400</u>	<u>15,441,100</u>	<u>6,505,376</u>	<u>3,476,645</u>	<u>57,363,096</u>	<u>55,291,148</u>	<u>78,323,142</u>	<u>57,600,680</u>	<u>64,536,511</u>	<u>42,807,323</u>	<u>42,807,323</u>
NOTE PAYMENT ACCOUNT(3)														
Balance (Beginning)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	0	36,600,000	36,600,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	36,600,000	36,600,000
Balance (Ending)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

(1) Balance as of June 30, 2008.

(2) Inclusive of Library Tax.

(3) Note Payment Account transactions reflect amounts set aside to pay the principal of 2008-09 tax anticipation notes, and the payment of such notes at their maturity.
Interest on such notes is not reflected in the Note Payment Account, but is recorded as a Note Interest Payment Disbursement in the schedule above.

SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK

CASH FLOW

JULY 1, 2009 - JUNE 30, 2010

Estimated

MONTH	JUL	AUG	SEPT	OCT	NOV	DEC 1-18	DEC 19-31	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
BALANCE (Beginning)(1)	42,807,323	34,192,174	65,292,010	58,841,520	33,486,757	19,099,543	10,650,709	3,143,338	58,551,723	54,785,469	76,229,628	52,560,592	56,440,565	42,807,323
RECEIPTS														
Property Taxes (2)	0	0	0	0	0	0	0	60,459,452	14,500,000	2,999,074	1,275,000	3,970,000	52,643,759	135,847,285
STAR Reimbursement	0	0	0	0	0	0	0	18,467,384	0	0	0	0	0	18,467,384
State Aid	2,088,480	2,574,269	11,901,960	2,205,021	5,691,164	9,507,625	100,027	676,366	430,283	35,720,954	521,239	20,175,147	13,469,094	105,061,629
Other Receipts	391,303	637,098	240,925	325,615	348,796	187,432	792,277	425,752	512,594	524,597	573,996	571,896	646,719	6,179,000
Interfund Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Proceeds-TAN's	0	40,000,000	0	0	0	0	0	0	0	0	0	0	0	40,000,000
TOTAL RECEIPTS	2,479,783	43,211,367	12,142,885	2,530,636	6,039,960	9,695,057	892,304	80,028,954	15,442,877	39,244,625	2,370,235	24,717,043	66,759,572	305,555,298
DISBURSEMENTS														
Salaries	3,506,328	4,622,138	11,232,677	11,512,540	11,798,928	12,671,828	5,630,586	11,356,215	11,589,557	11,411,279	11,657,201	12,031,975	30,371,171	149,392,423
Other Disbursements	3,716,301	6,774,196	6,177,649	7,697,790	7,913,050	3,884,052	2,769,089	11,500,769	6,904,377	5,589,575	8,943,301	8,089,899	17,543,632	97,503,680
Transfer to Note Pay Acct - TAN	0	0	0	0	0	0	0	0	0	0	0	0	40,000,000	40,000,000
Interfund Transfers (3)	0	0	0	3,000,000	0	0	0	0	0	0	0	0	0	3,000,000
Note Interest Payment	0	0	0	0	0	0	0	0	0	0	0	0	900,000	900,000
Debt Service	3,157,107	0	467,853	4,959,872		872,814	0	1,048,389	0	84,416	4,723,572	0	3,362,814	18,676,837
Library Payment	715,196	715,197	715,196	715,197	715,196	715,197	0	715,196	715,197	715,196	715,197	715,196	715,197	8,582,358
TOTAL DISBURSEMENTS	11,094,932	12,111,531	18,593,375	27,885,399	20,427,174	18,143,891	8,399,675	24,620,569	19,209,131	17,800,466	26,039,271	20,837,070	92,892,814	318,055,298
BALANCE (Ending)	<u>34,192,174</u>	<u>65,292,010</u>	<u>58,841,520</u>	<u>33,486,757</u>	<u>19,099,543</u>	<u>10,650,709</u>	<u>3,143,338</u>	<u>58,551,723</u>	<u>54,785,469</u>	<u>76,229,628</u>	<u>52,560,592</u>	<u>56,440,565</u>	<u>30,307,323</u>	<u>30,307,323</u>
NOTE PAYMENT ACCOUNT(4)														
Balance (Beginning)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	0	40,000,000	40,000,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	40,000,000	40,000,000
Balance (Ending)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

(1) Balance as of June 30, 2009.

(2) Inclusive of Library Tax.

(3) Emergency repair of East High School roof.

(4) Note Payment Account transactions reflect amounts set aside to pay the principal of 2009-10 tax anticipation notes, and the payment of such notes at their maturity.

Interest on such notes is not reflected in the Note Payment Account, but is recorded as a Note Interest Payment Disbursement in the schedule above.

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED
June 30, 2008***

* Such Financial Statements and opinion are intended to be representative only as of the date thereof. Albrecht, Viggiano, Zureck & Company, P.C., Certified Public Accountants has not been requested by the Town to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Sachem Central School District
Holbrook, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Sachem Central School District "the District", New York, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

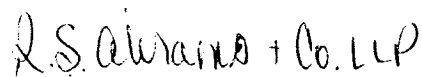
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 as well as the fiduciary fund of the Sachem Central School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008 on our consideration of the Sachem 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 15 and 48 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sachem Central School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Sachem Central School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


R.S. Abrams & Co. LLP
October 7, 2008

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The following is a discussion and analysis of the Sachem Central School District's financial performance for the fiscal year ended June 30, 2008. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District was able to appropriate \$8 million to reduce 2008-09 taxes, increase the unappropriated, unreserved fund balance at June 30, 2008 to the maximum 4% as well as increase reserves \$2.3 million due to under spending the budget and over collecting revenue.
- On March 11, 2008 the community approved an EXCEL project for \$33.1 million to improve and repair almost every building in the District.
- The Board of Education and community continue to be updated monthly on district finances by providing monthly analysis of expenditures and encumbrances.
- The District, for the third consecutive year, purchased 3 new buses for the Sachem fleet.
- Sachem Schools was awarded special legislative grants by Senator Flanagan for the construction of playgrounds at Cayuga Elementary, Gatelot Elementary and Wenonah Elementary.
- Sachem Schools was awarded a special legislative grant by Senator Trunzo for the construction of the Hiawatha Elementary playground.
- Capital Projects included in the 2007-08 Budget:
 - Replacement of gym curtain dividers at Lynwood, Hiawatha and Cayuga elementary schools.
 - Track and Field site work at Sequoya Middle School.
 - Replacement of the Facilities Building.
 - Repair of the District Office Roof (emergency health and safety project).

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

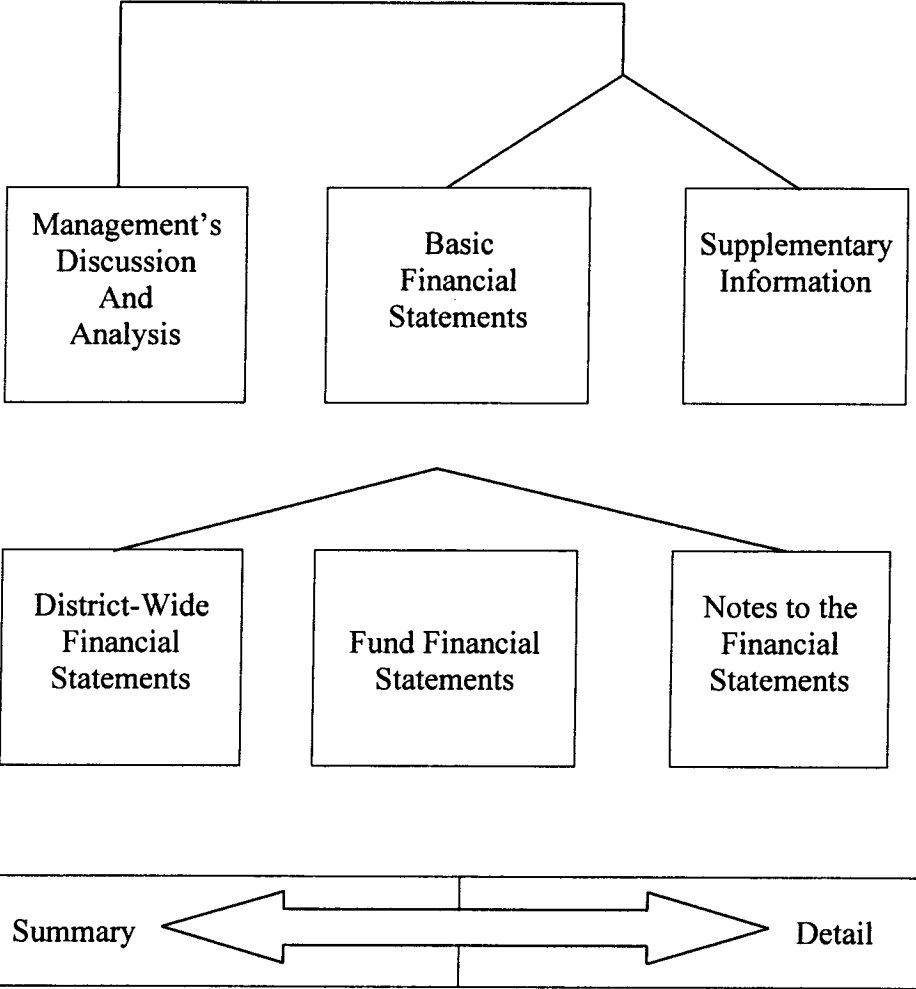
**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

A. District-Wide Statements

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

The two District-Wide Statements report the District's *net assets* and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net assets is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

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

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

B. Fund Financial Statements

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

The District has two kinds of funds:

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

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The District's net assets were greater on June 30, 2008 than they were the year before increasing \$2,225,934 from \$20,977,160 to \$23,203,094 as detailed in Table A-3.

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

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	Percentage Change
Current assets and other assets	\$59,662,874	\$58,794,061	\$868,813	1%
Capital assets, as restated for 2007	210,475,495	217,815,633	(7,340,138)	-3%
Total Assets	<u>\$270,138,369</u>	<u>\$276,609,694</u>	<u>(\$6,471,325)</u>	<u>-2%</u>
Current liabilities	\$27,563,509	\$33,787,695	(\$6,224,186)	-18%
Long-term liabilities	219,371,766	221,844,839	(2,473,073)	-1%
Total Liabilities	<u>\$246,935,275</u>	<u>\$255,632,534</u>	<u>(\$8,697,259)</u>	<u>-3%</u>
Net Assets				
Investment in capital assets, net of related debt, as restated for 2007	\$3,111,697	\$1,145,759	\$1,965,938	172%
Restricted	223,916	5,063,679	(4,839,763)	-96%
Unrestricted	19,867,481	14,767,722	5,099,759	35%
Total Net Assets	<u>\$23,203,094</u>	<u>\$20,977,160</u>	<u>\$2,225,934</u>	<u>11%</u>
Total Liabilities and Net Assets	<u>\$270,138,369</u>	<u>\$276,609,694</u>	<u>(\$6,471,325)</u>	<u>-2%</u>

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$1,965,938 primarily due to capital additions offset by depreciation expense.

Current assets and other assets increased \$868,813 from 2007 to 2008 primarily due to an increase in the cash balance offset by a decrease in state and federal aid receivable. Capital assets (net of depreciation) decreased by \$7,340,138. This was attributable to current year depreciation offset by current year additions. Current liabilities decreased by \$6,224,186. This was primarily due to the payment of the accrual for salary settlements with various bargaining units from June 30, 2007 and a reduction in the liability to the teachers' retirement system. Long-term liabilities decreased by

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

\$2,473,073 due to a decrease in long term bonds payable and installment purchase debt payable offset by an increase in the claims payable for workers' compensation and compensated absences liability. Net assets overall increased by \$2,225,934.

B. Changes in Net Assets

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2008 and 2007 are as follows:

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

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$4,997,162	\$4,799,952	\$197,210	4%
Operating Grants	7,025,518	6,666,606	358,912	5%
General Revenues				
Property Taxes	149,042,029	149,632,948	(590,919)	0%
State and Federal Aid	114,959,611	110,599,350	4,360,261	4%
Other	7,572,572	8,298,405	(725,833)	-9%
Total Revenues	<u>\$283,596,892</u>	<u>\$279,997,261</u>	<u>\$3,599,631</u>	<u>1%</u>
Expenses				
General Support	\$32,472,266	\$33,518,877	(\$1,046,611)	-3%
Instruction	205,891,581	197,723,719	8,167,862	4%
Pupil Transportation	17,793,042	15,992,346	1,800,696	11%
Community Service	138,762	133,702	5,060	4%
Debt Service	11,032,140	10,890,223	141,917	1%
School Lunch Program	5,019,694	4,900,061	119,633	2%
Depreciation	9,023,473	8,906,420	117,053	1%
Total Expenses	<u>\$281,370,958</u>	<u>\$272,065,348</u>	<u>\$9,305,610</u>	<u>3%</u>

The District's total fiscal year 2008 revenues totaled \$283,596,892. (See Table A-4). Property taxes and state and federal aid accounted for most of the District's revenue by contributing 53 cents and 40 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled \$281,370,958 for fiscal year 2008. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 79% of district expenses. (See Table A-6). The District's general support activities accounted for 12% of total costs.

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Table A-5: Revenues for Fiscal Year 2008 (See Table A-4)

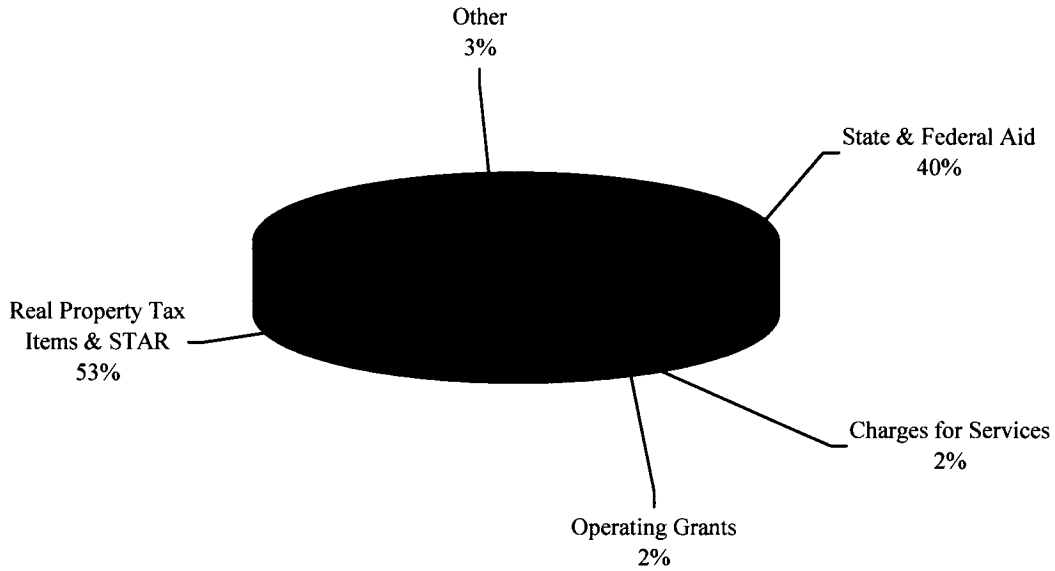
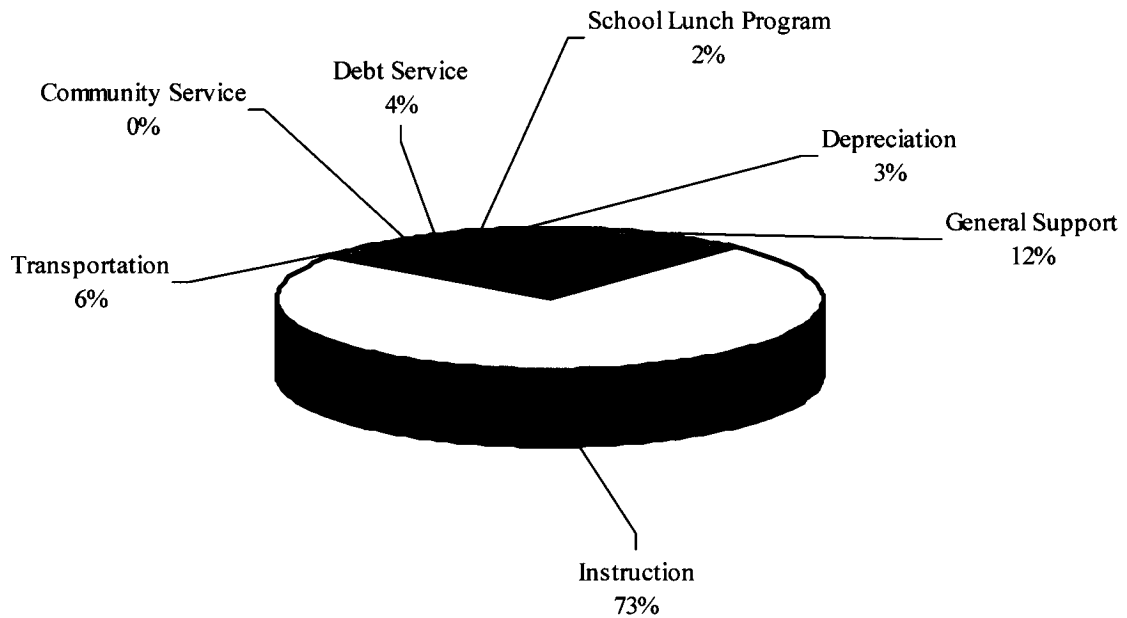


Table A-6: Expenses for Fiscal Year 2008 (See Table A-4 and A-7)



**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$283,596,892 while total expenses equaled \$281,370,958. Since actual revenues exceeded actual expenses, this demonstrates the overall good financial condition of the District, as a whole. This can be credited to:

- Continued leadership of the District's board and administration
- Continued state and federal aid
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES)
- Improved curriculum and community support

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2007
General Support	\$32,472,266	\$33,518,877	\$32,372,218	\$33,396,336
Instruction	205,891,581	197,723,719	198,970,671	191,300,692
Pupil Transportation	17,793,042	15,992,346	17,793,042	15,992,346
Community Service	138,762	133,702	138,762	133,702
Debt Service	11,032,140	10,890,223	11,032,140	10,890,223
School Lunch Program	5,019,694	4,900,061	17,972	(20,929)
Depreciation(unallocated)	9,023,473	8,906,420	9,023,473	8,906,420
Total	<u>\$281,370,958</u>	<u>\$272,065,348</u>	<u>\$269,348,278</u>	<u>\$260,598,790</u>

- The cost of all governmental activities this year was \$281,370,958. (Statement of Activities and Changes in Net Assets, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$4,997,162 of the cost. (Statement of Activities and Changes in Net Assets, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$7,025,518. (Statement of Activities and Changes in Net Assets, Operating Grants column – see Exhibit 3)

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- Most of the District's net costs \$269,348,278 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Assets, Net (Expense) Revenue and Changes in Net Assets column-see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2008, the District's combined governmental funds reported a total fund balance of \$39,687,512 which is an increase of \$7,447,760 over the prior year. This increase is primarily due to an operating surplus in the general fund of \$8,734,391 offset by capital outlay in the capital fund of \$1,079,245.

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

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	Total Percentage Change
General Fund				
Reserve for Long-Term Disability	\$292,444	\$281,000	\$11,444	4%
Reserve for Unemployment Insurance	104,072	100,000	4,072	4%
Reserve for Workers' Compensation	7,470,118	7,177,802	292,316	4%
Reserve for Employee Benefit Accrued Liability	5,106,290	3,085,534	2,020,756	65%
Unreserved-Designated for subsequent year's expenditures	8,000,000	6,876,815	1,123,185	16%
Unreserved - Undesignated	11,176,040	8,220,237	2,955,803	36%
Total Fund Balance - General Fund	<u>\$32,148,964</u>	<u>\$25,741,388</u>	<u>\$6,407,576</u>	<u>25%</u>
School Lunch Fund				
Reserve for Encumbrances	\$0	\$137,513	(\$137,513)	-100%
Reserve for Inventory	111,830	119,850	(8,020)	-7%
Unreserved - Undesignated	1,438,949	1,177,322	261,627	22%
Total Fund Balance - School Lunch Fund	<u>\$1,550,779</u>	<u>\$1,434,685</u>	<u>\$116,094</u>	<u>8%</u>
Debt Service Fund				
Reserve for Debt Service	\$256,742	\$580,222	(\$323,480)	-56%
Total Fund Balance - Debt Service Fund	<u>\$256,742</u>	<u>\$580,222</u>	<u>(\$323,480)</u>	<u>-56%</u>
Capital Projects Fund				
Unreserved - Undesignated	\$5,731,027	\$4,483,457	\$1,247,570	28%
	<u>\$5,731,027</u>	<u>\$4,483,457</u>	<u>\$1,247,570</u>	<u>28%</u>
Total Fund Balance - All Funds	<u>\$39,687,512</u>	<u>\$32,239,752</u>	<u>\$7,447,760</u>	<u>23%</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2007-2008 Budget

The District's General Fund budget for the year ended June 30, 2008 was \$274,007,921. This amount was increased by a budget revision of \$700,000 for a health and safety emergency roof repair of the District Office which resulted in a final budget of \$274,707,921. The majority of the funding was property taxes and STAR revenue of \$149,544,822.

B. Change in General Fund's Unreserved–Undesignated Fund Balance (Budget to Actual)

The General Fund's unreserved – undesignated fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, Unreserved – Undesignated Fund Balance	\$ 8,220,237
Revenues Over Budget	3,636,763
Expenditures and Encumbrances Under Budget	9,647,628
Increase in Reserves for interest allocation	(433,490)
Increase in Reserve for Employee Benefit	
Accrued Liability	(1,895,098)
Appropriated for June 30, 2009 Budget	<u>(8,000,000)</u>
Closing, Unreserved – Undesignated Fund Balance	<u>\$ 11,176,040</u>

The unreserved – undesignated fund balance represents the fund balance retained by the District that is not reserved or designated for subsequent years taxes. This amount is limited to 4% of the 2008-2009 budget.

The revenues over budget in the amount of \$3,636,763 was primarily due to the following revenue sources: state aid, insurance recoveries and reimbursement for prior year expenditures (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$9,647,628 was primarily attributable to the following expenditures: instruction and employee benefits (see Supplemental Schedule #1 for detail).

The District increased the Reserve for Employee Benefit Accrued Liability by \$1,895,098. This reserve is used to fund payments to employees upon termination of the employee's service. The District also allocated interest to the various reserve accounts in the amount of \$433,490.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2008. A summary of the District's fixed assets net of depreciation are as follows:

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Category	Fiscal Year 2008	Fiscal Year 2007 as restated	Increase (Decrease)	Percentage Change
Land & Land Improvements	\$1,210,049	\$1,210,049	\$0	0%
Construction in Progress	351,029	1,236,441	(885,412)	-72%
Buildings & Building Improvements	275,899,404	274,804,306	1,095,098	0%
Furniture & Equipment	19,249,396	18,171,573	1,077,823	6%
Subtotal	296,709,878	295,422,369	1,287,509	0%
Less: Accumulated Depreciation	86,234,382	77,606,736	8,627,646	11%
Total Net Capital Assets	<u>\$210,475,496</u>	<u>\$217,815,633</u>	<u>(\$7,340,137)</u>	<u>-3%</u>

The District's Capital Fund spent \$1,079,245 on building improvements and equipment purchases during the year and has \$5,731,027 available for various projects. The District restated prior year capital assets in the amount of \$91,966. See Footnote 17 for additional disclosure on the restatement.

B. Long-Term Debt

At June 30, 2008, The District had total bonds payable of \$209,130,000. The bonds were issued for district-wide projects. The installment purchase debt was issued for start-up supplies and equipment for bond reconfiguration projects. The energy performance contracts were issued for efficiency upgrades to HVAC and lighting. The decrease in outstanding debt represents paydown of debt. A summary of outstanding debt at June 30, 2008 and 2007 is as follows:

	2008	2007	Increase (Decrease)
Serial bonds	\$117,260,000	\$125,360,000	(\$8,100,000)
Advance refunding bonds	91,870,000	92,125,000	(255,000)
Energy performance contracts	4,918,289	5,957,672	(1,039,383)
Installment purchase debt	415,452	1,226,296	(810,844)
Total	<u>\$214,463,741</u>	<u>\$224,668,968</u>	<u>(\$10,205,227)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A. The District issued \$36,600,000 in tax anticipation notes on September 25, 2008 and maturing June 24, 2009 for the following:

**SACHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Amount</u>	<u>Rate</u>
\$1,000,000	2.20%
\$35,600,000	2.52%

- B. The General Fund budget for the 2008-2009 school year was approved by the voters in the amount of \$279,401,007 on May 20, 2008. This is an increase of \$5,393,086 or 1.97% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Sachem Central School District
Mr. Bruce Singer
Assistant Superintendent for Business
245 Union Avenue
Holbrook, New York 11741
(631) 471-1321

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ASSETS

Cash	
Unrestricted	\$42,910,216
Restricted	223,916
Receivables	
State and federal aid	10,367,311
Due from other governments	4,985,019
Due from fiduciary funds	1,009,119
Accounts receivable	55,463
Inventories	111,830
Capital assets, net	210,475,495
TOTAL ASSETS	<u>\$270,138,369</u>

LIABILITIES

Payables	
Accounts payable	\$1,926,150
Accrued liabilities	419,405
Bond interest payable	1,908,005
Due to fiduciary funds	6,024
Due to other governments	258,005
Due to teachers' retirement system	12,061,453
Due to employees' retirement system	494,813
Deferred revenue	197,609
Long-term liabilities	
Due and payable within one year	
Bonds payable	8,590,000
Installment purchase debt payable	415,452
Energy performance debt	1,074,690
Compensated absences payable	211,903
Due and payable after one year	
Bonds payable	200,540,000
Energy performance debt	3,843,599
Claims payable	8,728,494
Compensated absences payable	6,259,673
TOTAL LIABILITIES	<u>246,935,275</u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	3,111,697
Restricted For:	
Debt Service	223,916
Unrestricted (deficit)	19,867,481
TOTAL NET ASSETS	<u>23,203,094</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$270,138,369</u>
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**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Assets
FUNCTIONS / PROGRAMS				
General support	(\$32,472,266)		\$100,048	(\$32,372,218)
Instruction	(205,891,581)	\$1,263,289	5,657,621	(198,970,671)
Pupil transportation	(17,793,042)			(17,793,042)
Community services	(138,762)			(138,762)
Debt service - interest	(11,032,140)			(11,032,140)
School lunch program	(5,019,694)	3,733,873	1,267,849	(17,972)
Depreciation (unallocated)	(9,023,473)			(9,023,473)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$281,370,958)</u>	<u>\$4,997,162</u>	<u>\$7,025,518</u>	<u>(\$269,348,278)</u>
GENERAL REVENUES				
Real property taxes				\$128,016,295
Other tax items - including STAR reimbursement				21,025,734
Use of money & property				2,796,959
Sale of property & compen. for loss				559,697
Miscellaneous				4,215,916
State sources				114,916,874
Medicaid reimbursement				42,737
TOTAL GENERAL REVENUES				<u>271,574,212</u>
CHANGES IN NET ASSETS				2,225,934
TOTAL NET ASSETS - BEGINNING OF YEAR				<u>20,977,160</u>
AS RESTATED (SEE NOTE 17)				
TOTAL NET ASSETS - END OF YEAR				<u>\$23,203,094</u>

**SACHEM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$35,629,765	\$214,597	\$1,302,001		\$5,763,853	\$42,910,216
Restricted				\$223,916		223,916
Receivables						
State and Federal aid	7,093,587	3,057,348	216,376			10,367,311
Due from other funds	4,171,322			32,826		4,204,148
Due from other governments	585,019					585,019
Accounts receivable		37,778	17,685			55,463
Inventories			111,830			111,830
TOTAL ASSETS	<u>\$47,479,693</u>	<u>\$3,309,723</u>	<u>\$1,647,892</u>	<u>\$256,742</u>	<u>\$5,763,853</u>	<u>\$58,457,903</u>
LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$1,915,110		\$11,040			\$1,926,150
Accrued liabilities	382,090		37,315			419,405
Due to other governments	241,074	\$13,172	3,759			258,005
Due to other funds	6,024	3,162,203			\$32,826	3,201,053
Due to teachers' retirement system	12,061,453					12,061,453
Due to employees' retirement system	494,813					494,813
Compensated absences	211,903					211,903
Deferred credits						
Deferred revenue	18,262	134,348	44,999			197,609
TOTAL LIABILITIES	<u>15,330,729</u>	<u>3,309,723</u>	<u>97,113</u>	<u>0</u>	<u>32,826</u>	<u>18,770,391</u>
FUND BALANCE						
Reserve for Workers' Compensation	7,470,118					7,470,118
Reserve for Unemployment Insurance	104,072					104,072
Reserve for Debt Service				256,742		256,742
Reserve for Long-term Disability	292,444					292,444
Reserve for Inventory			111,830			111,830
Reserve for Employee Benefit						
Accrued Liability	5,106,290					5,106,290
Unreserved-Designated for Subsequent						
Year's Expenditures	8,000,000					8,000,000
Unreserved-Undesignated	11,176,040	0	1,438,949		5,731,027	18,346,016
TOTAL FUND BALANCE	<u>32,148,964</u>	<u>0</u>	<u>1,550,779</u>	<u>256,742</u>	<u>5,731,027</u>	<u>39,687,512</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$47,479,693</u>	<u>\$3,309,723</u>	<u>\$1,647,892</u>	<u>\$256,742</u>	<u>\$5,763,853</u>	<u>\$58,457,903</u>

**SACHEM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Governmental Fund Balances	\$39,687,512
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

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

Original cost of capital assets	296,709,877	
Accumulated depreciation	<u>(86,234,382)</u>	210,475,495

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(209,130,000)	
Due from other governments (library bond)	4,400,000	
Accrued interest on bonds payable	(1,908,005)	
Installment purchase debt payable	(415,452)	
Energy performance contract	(4,918,289)	
Claims payable	(8,728,494)	
Compensated absences	<u>(6,259,673)</u>	<u>(226,959,913)</u>

Total Net Assets	<u><u>\$23,203,094</u></u>
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SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$128,016,295					\$128,016,295
Other tax items - including STAR reimbursement	21,025,734					21,025,734
Charges for services	1,613,289					1,613,289
Use of money and property	2,526,091		\$44,348	\$226,520		2,796,959
Sale of property and compensation for loss	559,697					559,697
Miscellaneous	2,176,646	\$1,909,046	89,718			4,175,410
Interfund Revenue	40,506					40,506
State sources	114,916,874	1,333,546	105,394			116,355,814
Federal sources	42,737	4,639,380	879,952			5,562,069
Surplus food			282,503			282,503
Sales			3,733,873			3,733,873
TOTAL REVENUES	<u>270,917,869</u>	<u>7,881,972</u>	<u>5,135,788</u>	<u>226,520</u>	<u>0</u>	<u>284,162,149</u>
EXPENDITURES						
General support	27,140,697	100,048				27,240,745
Instruction	147,785,986	7,701,994				155,487,980
Pupil transportation	16,751,130	491,168				17,242,298
Community service		138,762				138,762
Employee benefits	49,182,887					49,182,887
Debt service - principal	10,205,227					10,205,227
Debt service - interest	11,117,551					11,117,551
Cost of sales			5,019,694			5,019,694
Capital outlay					1,079,245	1,079,245
TOTAL EXPENDITURES	<u>262,183,478</u>	<u>8,431,972</u>	<u>5,019,694</u>	<u>0</u>	<u>1,079,245</u>	<u>276,714,389</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,734,391</u>	<u>(550,000)</u>	<u>116,094</u>	<u>226,520</u>	<u>(1,079,245)</u>	<u>7,447,760</u>
OTHER FINANCING SOURCES AND USES						
Operating transfers in	550,000	550,000			2,326,815	3,426,815
Operating transfers (out)	(2,876,815)			(550,000)		(3,426,815)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,326,815)</u>	<u>550,000</u>	<u>0</u>	<u>(550,000)</u>	<u>2,326,815</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>6,407,576</u>	<u>0</u>	<u>116,094</u>	<u>(323,480)</u>	<u>1,247,570</u>	<u>7,447,760</u>
FUND BALANCE - BEGINNING	<u>25,741,388</u>	<u>0</u>	<u>1,434,685</u>	<u>580,222</u>	<u>4,483,457</u>	<u>32,239,752</u>
FUND BALANCE ENDING	<u>\$32,148,964</u>	<u>\$0</u>	<u>\$1,550,779</u>	<u>\$256,742</u>	<u>\$5,731,027</u>	<u>\$39,687,512</u>

**SACHEM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balance			\$7,447,760
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 expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		(3,174,139)	
Deferred Revenue - The Statement of Net Assets recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method		(215,257)	
Long-Term Debt Transactions			
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities (repayment less library portion)		8,005,000	
Repayment of installment debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities		810,844	
Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities		1,039,383	
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2007 to June 30, 2008 changed by		85,411	
Worker's Compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2007 to June 30, 2008 changed by		(4,432,930)	
Capital Related Items			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities			
Capital outlays	1,683,335		
Depreciation expense	(9,023,473)	(7,340,138)	
Changes in Net Assets of Governmental Activities			<u>\$2,225,934</u>

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$183,146	\$1,967,298
Due from governmental funds	0	6,024
Accounts receivable	0	6,476
TOTAL ASSETS	<u><u>\$183,146</u></u>	<u><u>\$1,979,798</u></u>
LIABILITIES		
Due to governmental funds	\$0	\$1,009,119
Extraclassroom activity balance	0	444,482
Other liabilities	0	526,197
TOTAL LIABILITIES	<u><u>\$0</u></u>	<u><u>\$1,979,798</u></u>
NET ASSETS		
Reserved for scholarships	\$183,146	\$0
TOTAL NET ASSETS	<u><u>\$183,146</u></u>	<u><u>\$0</u></u>

**SACHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$41,959
Interest and earnings	<u>6,799</u>
TOTAL ADDITIONS	<u>48,758</u>
DEDUCTIONS	
Scholarships and awards	<u>37,783</u>
TOTAL DEDUCTIONS	<u>37,783</u>
CHANGE IN NET ASSETS	10,975
NET ASSETS - BEGINNING	<u>172,171</u>
NET ASSETS - ENDING	<u><u>\$183,146</u></u>

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the “Board”) consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, and by GASB Statement 39, Determining Whether Certain Organizations are Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

i) Extraclassroom Activity Funds

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

B) Joint venture:

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

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

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

During the year, the District was billed \$ 18,810,631 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$4,519,318.

Financial statements for the BOCES are available from the BOCES administrative office:

Eastern Suffolk Board of Cooperative Educational Service
James Hines Administration Center
201 Sunrise Highway
Patchogue, NY 11772

C) Basis of presentation:

i) District-wide statements:

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

ii) Fund financial statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

members of the District or representatives of the donors may serve on committees to determine who benefits.

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

D) Measurement focus and basis of accounting:

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year 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.

E) Adoption of New Accounting Standard

In June 2004, the Government Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions", which addresses the accounting and reporting requirements for the costs and liabilities associated with such benefits. Other post-employment benefits are collectively referred to as OPEB. The most common type of OPEB is health care for retirees.

In the past, liabilities for retiree medical payments were accounted for on a "pay-as-you-go" basis. That is, the post-employment cost for the fiscal year was equal to the cash paid District-wide for retiree medical premiums in the fiscal year. No cost was

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

recognized until the actual payment was made. There was no financial disclosure of the potential future magnitude of these liabilities.

The GASB 45 accounting standard for postretirement medical benefits is similar to the GASB standard for pension benefits. The general concept is that pension and other post retirement benefits are part of an exchange of salaries and benefits for services rendered. Although pension and post-retirement medical benefits are not paid until retirement they are still considered compensation for employee services. Therefore, a cost for these benefits should be recognized while the employee is working. A second goal of the GASB 45 standard is to improve financial disclosure of post-retirement liabilities to allow a reader of government financial disclosures to assess the potential demands on the government's future cash flows. Specifically the standard requires the following:

- Disclose the annual cost of the benefits as the Annual Required Contribution (the ARC). The ARC is based on accrual accounting and actuarial analysis. This is the amount of funds that must be included on the annual operating budget to fully fund the OPEB liability over time. GASB does not require that an entity fund the ARC.
- Disclose the Net OPEB Obligation (NOO). The NOO is the cumulative difference between the ARC and the District's contributions to a plan and is a liability on the government's balance sheet.
- Disclose the funding policy with regards to paying for the District-wide postretirement medical benefits.
- Disclose the funded status of the benefit. That is the difference between assets and liabilities. The liabilities are based on an actuarial valuation.
- Disclose the actuarial methods and assumptions used to determine the ARC and the liabilities.

GASB 45 is effective for the District's fiscal year ending June 30, 2008, and was adopted by the District on July 1, 2007. See Note 11 for further information on Post-employment Benefits.

F) Property taxes:

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Towns of Brookhaven, Smithtown and Islip beginning November 1. Uncollected taxes become a lien on December 1. Uncollected real property taxes are transmitted to the County of Suffolk for enforcement. Uncollected taxes are paid by the County to the District no later than the forthcoming April 1.

G) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets 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.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

H) Interfund transactions:

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

J) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

K) Accounts receivable:

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

L) Inventories and prepaid items:

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

M) Capital assets:

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	\$5,000	Straight-line	20-40 years
Furniture & Equipment	5,000	Straight-line	2-20 years
Land Improvements	5,000	Straight-line	20 years

N) Deferred revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Deferred revenues recorded in governmental funds are not recorded in the District-wide statements, and comprise part of the reconciliation in Note 2.

O) Vested employee benefits:

Compensated absences

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

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

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

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

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P) Other benefits:

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

R) Accrued liabilities and long-term obligations:

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

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

S) Equity classifications:

District-wide statements

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

Investment in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Funds statements:

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. NYS Real Property Tax Law 1318 restricts the unreserved, undesignated fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the state of New York. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the District include the following:

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. This reserve is accounted for in the General Fund.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of district property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of fund balance, which is not available for appropriation. This reserve is accounted for in the School Lunch Fund.

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Employee Benefit Accrued Liability

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. 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. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Due to the differences in the measurement focus and basis of accounting used in the 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

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

(i) Long-term revenue 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.

(ii) Capital related differences:

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

(iii) Long-term debt transaction differences:

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

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

Emergency Roof Repair - Administration Building	<u><u>\$700,000</u></u>
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Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward

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

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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**NOTE 4 – CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT,
CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY
RISKS:**

Cash:

**SACHEM CENTRAL SCHOOL DISTRICT
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Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

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

Total financial institution bank balances at year-end, per the bank, are categorized as follows:

- A) \$ 0
- B) \$ 51,776,378
- C) \$ 0

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

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$223,916 within the governmental fund for debt service.

NOTE 5 – INVESTMENTS

The District did not participate in any investments throughout the year.

NOTE 6 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

	Beginning Balance as restated	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,210,049	\$0	\$0	\$1,210,049
Construction in progress	1,236,441	351,029	(1,236,441)	351,029
Total nondepreciable historical cost	2,446,490	351,029	0	1,561,078
Capital assets that are depreciated:				
Building & building improvements	274,804,306	1,399,501	(304,403)	275,899,404
Furniture and equipment	18,171,573	1,389,993	(312,170)	19,249,396
Total depreciable historical cost	292,975,879	2,789,494	(616,573)	295,148,800
Less accumulated depreciation:				
Building & building improvements	67,598,675	6,532,395	(91,321)	74,039,749
Furniture and equipment	10,008,061	2,491,078	(304,506)	12,194,633
Total accumulated depreciation	77,606,736	9,023,473	(395,827)	86,234,382
Total historical cost, net	\$217,815,633	(\$5,882,950)	(\$220,746)	\$210,475,496
Depreciation expense (unallocated)				\$9,023,473

Refer to Note 17 for additional disclosure on restatement.

NOTE 7 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/26/2008	3.65%	\$0	\$54,000,000	\$54,000,000	\$0
Total		(average)	\$0	\$54,000,000	\$54,000,000	\$0

Interest on short-term debt for the year was \$1,662,562.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS:

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

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:					
General obligation debt:					
Refunding Bond	\$92,125,000	\$0	\$255,000	\$91,870,000	\$255,000
Construction Serial Bond	118,810,000	0	7,310,000	111,500,000	7,540,000
Technology Serial Bond	1,800,000	0	440,000	1,360,000	445,000
Library Serial Bond	4,750,000	0	350,000	4,400,000	350,000
Total bonds payable	<u>\$217,485,000</u>	<u>\$0</u>	<u>\$8,355,000</u>	<u>\$209,130,000</u>	<u>\$8,590,000</u>
Other liabilities:					
Energy Performance Contract	5,957,672	0	1,039,383	4,918,289	1,074,690
Lease Purchase Agreement	1,226,296	0	810,844	415,452	415,452
Claims payable	4,295,564	4,432,930	0	8,728,494	0
Compensated absences	4,105,932	2,365,644	0	6,471,576	211,903
Total other liabilities	<u>15,585,464</u>	<u>6,798,574</u>	<u>1,850,227</u>	<u>20,533,811</u>	<u>1,702,045</u>
Total long-term liabilities	<u>\$233,070,464</u>	<u>\$6,798,574</u>	<u>\$10,205,227</u>	<u>\$229,663,811</u>	<u>\$10,292,045</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

In the current fiscal year claims payable includes an amount for reported and unreported claims which were incurred on or before year-end but not reported (IBNR) and provided to the District by an independent actuarial firm.

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Refunding Bond 2006B	2007	2027	4.20%	\$19,760,000
Refunding Bond 2006	2007	2031	4.50%	72,110,000
Construction Serial Bond	2004	2031	3.5-5.0%	26,775,000
Construction Serial Bond	2003	2030	4.0-5.0%	41,905,000
Construction Serial Bond	2002	2030	4.375%	14,435,000
Construction Serial Bond	2004	2019	3.125-4.0%	28,385,000
Technology Serial Bond	2003	2011	2.3-3.3%	1,360,000
Library Serial Bond	1998	2019	4.50%	4,400,000
				<u>\$209,130,000</u>

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$8,590,000	\$8,903,304	\$17,493,304
2010	8,875,000	8,567,948	17,442,948
2011	9,155,000	8,222,073	17,377,073
2012	8,850,000	7,863,728	16,713,728
2013	9,185,000	7,508,240	16,693,240
2014-2018	51,915,000	31,257,819	83,172,819
2019-2023	42,685,000	20,086,107	62,771,107
2024-2028	44,610,000	10,476,693	55,086,693
2029-2031	25,265,000	1,402,281	26,667,281
	<u>\$209,130,000</u>	<u>\$104,288,193</u>	<u>\$313,418,193</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$1,074,690	\$159,198	\$1,233,888
2010	1,111,199	122,690	1,233,889
2011	1,148,950	84,939	1,233,889
2012	509,481	51,375	560,856
2013	527,602	33,254	560,856
2014	546,367	14,489	560,856
	<u>\$4,918,289</u>	<u>\$465,945</u>	<u>\$5,384,234</u>

The following is a summary of debt service requirements for lease purchase contracts:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$415,452	\$6,834	\$422,286
	<u>\$415,452</u>	<u>\$6,834</u>	<u>\$422,286</u>

In prior years, the District defeased certain general obligations and other 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's assets and the liability for the defeased bonds are not included in the District's financial statements. \$93,184,510 of bonds outstanding are considered defeased.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

	<u>Total</u>
Interest paid	\$9,454,989
Less interest accrued in the prior year	(1,993,416)
Plus interest accrued in the current year	<u>1,908,005</u>
Total expense	<u><u>\$9,369,578</u></u>

The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	<u>Total</u>
2009	\$2,434,318
2010	700,363
2011	66,188
2012	59,639
2013	<u>25,611</u>
Total	<u><u>\$3,286,119</u></u>

NOTE 9 – PENSION PLANS:

General information:

The District participates in the New York State Employees' Retirement System (NYSERS) (the "System") and the New York State Teachers' Retirement System (NYSTRS) (the "System"). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and administration:

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Funding policies:

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2007 - 2008	\$9,809,387	\$2,014,370
2006 - 2007	\$12,027,089	\$2,222,930
2005 - 2006	\$9,358,960	\$2,483,857

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$4,171,322	\$6,024	\$550,000	\$2,876,815
Special Aid Fund		3,162,203	550,000	
School Lunch Fund				
Debt Service Fund	32,826			550,000
Capital Projects Fund		32,826	2,326,815	
Total government activities	4,204,148	3,201,053	3,426,815	3,426,815
Fiduciary Agency Fund	6,024	1,009,119		
Totals	<u>\$4,210,172</u>	<u>\$4,210,172</u>	<u>\$3,426,815</u>	<u>\$3,426,815</u>

The District typically transfers from the General Fund to the Capital Projects Fund, to finance capital construction projects. The District typically transfers from the General Fund to the Special Aid Fund to fund the District's 20% share of Summer School Handicap expenses required by state law.

The District transferred \$550,000 from the debt service fund to the general fund for reimbursement of debt service expenditures.

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

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

NOTE 11 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

The District provides post employment health insurance (life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the school year ended June 30, 2008. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2008, the District recognized \$9,016,238 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of March 31, 2007 which indicates that the total liability for other post-employment benefits is \$322,000,000. The net OPEB obligation at June 30, 2008 is \$19,667,937, which is not reflected in the Statement of Net Assets. This liability is not reflected in the Statement of Net Assets as a government is not required to place an initial liability on the Statement of Net Assets when the standard is first implemented, as the necessary information for the prior year is not available.

Plan Description

NYSHIP Empire Plan is a single-employer defined benefit healthcare plan administered by New York State. The Empire Plan provides medical insurance benefits to eligible retirees and their spouses. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the school district. Sachem Central School District is considered a "Phase I" employer and is required to comply with General Accounting Standards Board (GASB) 45 no later than the first fiscal year starting after December 15, 2006.

Funding Policy

The contribution requirements of plan members and the Sachem Central School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2008, the Sachem Central School District contributed \$9,016,238 to the plan, including \$9,016,238 for current premiums and an additional

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

\$0 to prefund benefits. Plan members receiving benefits contributed \$665,431, or approximately 7 percent of the total premiums, through their required contribution of \$50 per month for retiree-only coverage and \$105 for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

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

	For the Year Ended June 30, 2008
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution	\$28,684,175
Interest on net OPEB obligation	0
Adjustment to Annual Required Contribution	0
Annual OPEB cost (expense)	28,684,175
Contributions made	(9,016,238)
Increase in net OPEB obligation	\$19,667,937
Net OPEB obligation-beginning of year	0
Net OPEB obligation-end of year	19,667,937
 Annual OPEB cost	 28,684,175
Percentage of annual OPEB cost contributed	31%
Net OPEB obligation-end of year	\$19,667,937
 Funded Status	
Actuarial Accrued Liability (AAL)	322,000,000
Actuarial value of assets	0
Unfunded Actuarial Accrued Liability	322,000,000
Funded Ratio (Assets as a percentage of AAL)	0%
 Annual covered payroll	 123,049,948
UAAL as a percentage of covered payroll	262%

The District's annual OPEB cost, the percentage of annual OPEB cost contributes to the plan and the net OPEB obligation for 2008 and the preceding year was as follows:

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<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/07	N.A. - Transition date is 7/1/2007				
6/30/08	28,684,175	28,684,175	9,016,238	31%	19,667,937

Funded Status and Funding Progress

As of March 31, 2007, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$322 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$322 million. The covered payroll (annual payroll of active employees covered by the plan) was \$123 million, and the ratio of the UAAL to the covered payroll was 262%.

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

Actuarial Methods and Assumptions

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

In the March 31, 2007 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 7 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

NOTE 12 – RISK MANAGEMENT:

General:

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Consortiums and Self Insured Plans:

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year-end but not reported (IBNR). As of June 30, 2008, the District has recorded potential Workers' Compensation claims of \$8,728,494. This liability was calculated by an independent actuarial firm. The District has a Workers' Compensation reserve balance of \$7,470,118. This liability was calculated by an independent actuarial firm.

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, J.J. Stanis, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District.

NOTE 13 – FUND BALANCES:

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

NOTE 14 – LITIGATION:

As of June 30, 2008, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the Sachem Central School District which require disclosure.

NOTE 15 – COMMITMENTS AND CONTINGENCIES:

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

NOTE 16 - OVERPAYMENTS

Based on a review of the attendance data submitted to New York State, state aid revenue was reduced by \$203,598. The overpayment was recovered through reductions in state aid payments in the current year. The deduction was fully recovered in the current year and there is no amount due to the State at June 30, 2008.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS:

Net assets have been restated as of July 1, 2007, to give effect as follows:

**SACHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	Net Assets
Balance as of July 1, 2007, as reported	\$21,069,126
Prior period adjustment: Capital asset adjustment	(91,966)
Balance as of July 1, 2007, as restated	<u>\$20,977,160</u>

The prior year's capital assets were restated by (\$91,966) due to an overstatement of land in the amount of \$117,756 and an understatement of furniture and equipment of \$61,443, and associated depreciation amounts. There was also a reclassification of \$1,236,441 from building and building improvements to construction in progress.

	Beginning Balance	Reclassifications and Restatements	Restated Beginning Balance
Governmental activities:			
Capital assets that are not depreciated:			
Construction in progress	\$0	\$1,236,441	\$1,236,441
Land	1,327,805	(117,756)	1,210,049
Total nondepreciable historical cost	<u>1,327,805</u>	<u>1,118,685</u>	<u>2,446,490</u>
Capital assets that are depreciated:			
Building & Building Improvements	276,040,747	(1,236,441)	274,804,306
Furniture and equipment	18,110,130	61,443	18,171,573
Total depreciable historical cost	<u>294,150,877</u>	<u>(1,174,998)</u>	<u>292,975,879</u>
Less accumulated depreciation:			
Building & Building Improvements	67,592,587	6,088	67,598,675
Furniture and equipment	9,978,496	29,565	10,008,061
Total accumulated depreciation	<u>77,571,083</u>	<u>35,653</u>	<u>77,606,736</u>
Total historical cost, net	<u>\$217,907,599</u>	<u>(\$91,966)</u>	<u>\$217,815,633</u>

NOTE 18 – SUBSEQUENT EVENTS:

- A. The District issued \$36,600,000 in tax anticipation notes on September 25, 2008 and maturing June 24, 2009 for the following:

Amount	Rate
\$1,000,000	2.20%
35,600,000	2.52%

- B. On May 20, 2008 the proposed 2008-2009 budget in the amount of \$279,401,007 was authorized by the District's residents