

Sachem Central School District, New York

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Credit Profile**US\$40. mil TANs for 2009-2010 taxes dtd 08/27/2009 due 06/23/2010**

Short Term Rating	SP-1+	New
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US\$15. mil sch dist serial bnds 2009 ser A dtd 08/15/2009 due 08/15/2010-2029

Long Term Rating	AA+/Stable	New
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US\$10. mil BANs for sch construction - 2009 dtd 08/27/2009 due 08/27/2010

Short Term Rating	SP-1+	New
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US\$3.77 mil sch dist rfdg serial bnds 2009 ser B dtd 08/15/2009 due 09/15/2018

Long Term Rating	AA+/Stable	New
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Sachem Cent Sch Dist GO

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
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Rationale

The 'AA+' long-term rating assigned to Sachem Central School District, N.Y.'s series 2009A and 2009B general obligation (GO) bonds and the 'SP-1+' short-term rating assigned to the district's 2009 GO bond anticipation notes (BANs) reflect, in Standard & Poor's Ratings Services' opinion:

- A primarily residential area that participates in the diverse Long Island regional economy;
- Strong tax base growth;
- Historical maintenance of a sound financial position and operation that have been under some pressure in the past due to sporadic voter support for the budget and ongoing cost pressures; and
- A manageable overall debt burden despite significant debt issuance over the past few years as the result of the district implementing its capital improvement plan (CIP), offset by a high level of state building aid reimbursement.

The 'SP-1+' short-term rating on the school district's series 2009 tax anticipation notes (TANs) reflects the district's:

- Demonstrated market access and good debt service coverage on the TANs, and
- Full faith and credit GO pledge as security.

The district will use TAN proceeds for cash flow purposes. Coverage of the TANs at maturity is projected to be a solid 1.75x. The district sets aside money for the repayment of the TANs in a note payment account in June. Similarly, the 2008-2009 notes had a projected coverage of 1.75x, and unaudited results show actual coverage was much stronger at 2.16x.

The district is a regular issuer of cash flow notes, subsidizing its operations through the first half of the academic year until property tax revenues begin to arrive in January and the major state aid payments occur in the spring. The level of cash flow note borrowing has come down from a peak of \$60 million issued in fiscal 2006 and has stabilized at about \$40 million for the past two years. The current cash flow projections of the district show the cash balance decreasing in fiscal 2010 to \$30.3 million from \$42.8 million at fiscal year-end, which is consistent with the district's previously conservative estimates, taking into greater consideration the possibility of state aid reductions and a modest dip in property tax revenues.

Sachem Central School District, located in west-central Suffolk County approximately 40 miles east of New York City, is one of the five largest suburban school districts in New York State. The district's tax base is primarily residential. The district spans 24 square miles and provides K-12 education to residents in the towns of Brookhaven (AA+), Islip (AAA), and Smithtown, as well as the village of Lake Grove. The current population as of 2009 is approximately 87,000. The district includes 16 schools: 12 elementary schools, two junior high schools, and two high schools. Enrollment for fiscal 2008 was 15,357, which represents a slight increase over the previous year. Enrollment is projected to remain relatively flat over the next five years. While the district's assessed value has displayed only moderate growth due to lack of revaluation for several of the towns that underlie the district, market value of the tax base had shown tremendous double-digit growth from 2006-2008, before decreasing 3.8% to \$12.115 billion in fiscal 2009. Nevertheless, market value per capita remains extremely strong at \$139,248. Wealth and income levels of all towns are above the national average, with the district's median household effective buying income at 148% of the national level.

The district has maintained a sound financial position despite some history of limited reserves and difficulty obtaining voter support when taxes need to be increased. After having trouble getting a voter-approved budget passed in fiscal 2006, the budgets for fiscal 2007, 2008, and 2009 were all approved by the voters on the first try with very modest to no property tax increases. The district's fiscal 2008 audited results show an operating surplus of \$6.4 million after transfers, and a third consecutive addition to the fund balance. The total general fund balance as of June 30, 2008, equaled \$32.2 million, or a strong 12.3% of expenditures. Of that, approximately \$19.2 million, or a good 7.3% of general fund expenditures, was considered unreserved.

The general fund budget for fiscal 2009 totaled \$275 million, or just 1.5% above the fiscal 2008 adopted budget, and relied on property taxes (53%) and state aid (41.8%) as primary revenue sources. The original budget included a fund balance appropriation, but management does anticipate that the district regenerated the fund balance and added an estimated \$4 million to the fund balance through a strong operating surplus.

Outlook

The long-term rating outlook is stable. Continued active budget management and a stable level of fund balance reserves will be important factors in maintaining the current rating. The district's substantial economic base and manageable debt burden are also important credit considerations at the current rating level.

Good Financial Management Practices

The district's management practices are considered "good" under Standard & Poor's Financial Management Assessment, indicating that practices are deemed currently good, but not comprehensive. The school district maintains a formal investment policy and reports monthly to the board of education on investments, as well as revenue and expenditure performance. The district puts together a five-year facilities plan as required by the state. The district maintains the minimum fund balance reserve outlined by state statute, but does try to fund other reserves authorized by state statute. The district does have a formal five-year financial plan in place that is deemed to be comprehensive. The district does not have formal debt-management guidelines beyond what is prescribed by state statute. The district does, however, when looking at debt ratios, evaluate various affordability parameters when authorizing new bond authorizations.

Moderate Debt Levels

The district's direct long-term debt totals approximately \$310 million, compared with \$15.8 million in fiscal 2001, but the state receives a reimbursement of around 75% from the state for capital. The 2009 bonds are being issued to maximize recently authorized state aid for capital projects (Excel Aid). Not including the scheduled state building aid, overall debt burden is moderate on a per capita basis at approximately \$4,049 and low relative to the tax base at 2.9%. Principal amortization is somewhat slow, with only an estimated 40% of principal maturing in 10 years. Debt service carrying charges have remained moderate at between 7% and 9% of total expenditures in recent years.

Related Research

- USPF Criteria: "GO Debt," Oct. 12, 2006
- USPF Criteria: "Short-Term Debt," June 15, 2007

Sachem Central School District, New York

Population	87,000
Median household EBI, % of U.S.	153
Per capita EBI, % of U.S.	117
Total market value per capita (\$)	139,248
Net direct debt (\$000s)	82,720
Net direct debt per capita (\$)	951
Net direct debt, % of market value	0.7
Assessed value (\$000s)	442,432
Market value (\$000s)	12,114,590

EBI—Effective buying income. Population and income—Source: Claritas

Financial statistics (fiscal year-end)	6/30/2008	6/30/2007	6/30/2006
General fund balance (\$000s)	32,150	25,742	18,589

Sachem Central School District, New York (cont.'d)

General fund balance, % of general fund expenditures	12.3	9.9	7.4
Unreserved fund balance (\$000s)	19,178	15,097	11,334
Unreserved fund balance, % of general fund expenditures	7.3	5.8	4.5
Total general fund expenditures (\$000s)	262,183	259,693	252,733
Total general fund expenditures—one-year change (%)	1.0	2.8	4.4
Total general fund revenues (\$000s)	270,918	267,638	258,125
Total general fund revenues—one-year change (%)	1.2	3.7	7.9

Ratings Detail (As Of 20-Aug-2009)**Sachem Cent Sch Dist sch dist serial bnds 2003 dtd 02/15/2003 due 06/15/2004-2030**

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Sachem Cent Sch Dist		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Sachem Cent Sch Dist GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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STANDARD & POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1078393

August 18, 2009

Sachem Central School District
245 Union Avenue
Holbrook, NY 11741
Attention: Mr. Bruce Singer, Assistant Superintendent for Business

Re: *US\$15,000,000 Sachem Central School District, Suffolk County, New York, School District
Serial Bonds, 2009 Series A, dated: August 15, 2009, due: August 15, 2010-2029*

Dear Mr. Singer:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

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August 18, 2009

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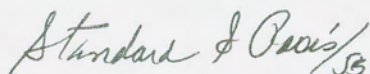
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cc: Mr. Richard Tortora, President
Capital Markets Advisors, LLC

STANDARD & POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1078395

August 18, 2009

Sachem Central School District
245 Union Avenue
Holbrook, NY 11741
Attention: Mr. Bruce Singer, Assistant Superintendent for Business

Re: *US\$3,770,000 Sachem Central School District, New York, School District Refunding Serial Bonds 2009, Series B, dated: August 15, 2009, due: September 15, 2018*

Dear Mr. Singer:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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August 18, 2009

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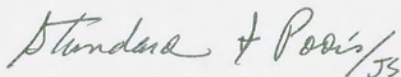
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Capital Markets Advisors, LLC

STANDARD & POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1078396

August 18, 2009

Sachem Central School District
245 Union Avenue
Holbrook, NY 11741
Attention: Mr. Bruce Singer, Assistant Superintendent for Business

Re: *US\$40,000,000 Sachem Central School District, Suffolk County, New York, Tax
Anticipation Notes for 2009-2010 Taxes, dated: August 27, 2009, due: June 23, 2010*

Dear Mr. Singer:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "SP-1+". A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

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55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1078398

August 18, 2009

Sachem Central School District
245 Union Avenue
Holbrook, NY 11741
Attention: Mr. Bruce Singer, Assistant Superintendent for Business

Re: *US\$10,000,000 Sachem Central School District, Suffolk County, New York, Bond
Anticipation Notes for School Construction - 2009, dated: August 27, 2009, due: August 27,
2010*

Dear Mr. Singer:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "SP-1+". A copy of the rationale supporting the rating is enclosed.

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information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.