

HUNTINGTON UNION FREE SCHOOL DISTRICT

Suffolk County, New York

(the "District")

**2012 FINANCIAL INFORMATION
FOR
CONTINUING DISCLOSURE REQUIREMENT**

**As of June 30, 2012
(Unless otherwise noted)**

New York Municipal Advisors Corporation ("NYMAC") has assisted the District in preparing and submitting this financial update. The information contained herein has been obtained and extracted from various public reports and documents. While NYMAC and the District believe this information to be materially accurate and not misleading, no guarantee can be made as to the accuracy or sufficiency thereof.

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PREPARED WITH THE ASSISTANCE OF



DESCRIPTION OF THE DISTRICT

There follows in this document a brief description of the District, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and general and specific funds.

General Information

The District is located in the north central section of the Town of Huntington (the "Town"), bordering Huntington Bay. The Town itself lies in the northwestern section of the County of Suffolk (the "County") about 35 miles from New York City. The District was formally known as Huntington Union Free School District No. 3. The District provides public school education for grades K-12 to residents of the District.

The District's northern portion is primarily residential, while the southern section is residential as well as industrial. The incorporated Village of Huntington Bay lies wholly within the District. South of Huntington Harbor the unincorporated area of Huntington has long served as a retail center for nearby areas. Several national chain stores have established branches in the District.

The District includes a considerable stretch of right-of-way of the Long Island Rail Road (M.T.A.) along which are located a number of light manufacturing plants affording employment opportunities in the area. Current home construction is restricted to individual new homes on remaining odd lots. Commercial banking facilities are provided by JPMorgan Chase Bank, Bank of America, HSBC, Citibank, State Bank of Long Island and First National Bank of Long Island.

Population Characteristics

The District estimates its population to be approximately 34,810. The following table presents population trends for the Town, County and State, based upon recent census data.

<u>Year</u>	<u>Town of Huntington</u>	<u>County of Suffolk</u>	<u>State</u>
1970	200,000	1,127,030	18,241,266
1980	201,512	1,284,231	17,558,165
1990	191,474	1,321,864	17,990,455
2000	195,289	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102

Source: U.S. Census.

Economy

Commercial activity in the District is generally found along Rte. 25A (Northern Boulevard) and Pulaski Road, two thoroughfares that traverse the District from east to west.

The District's location in western Suffolk County affords residents employment opportunities throughout western Suffolk County and Nassau County with some commuting to New York City. The '110 Corridor', the area generally bordering Route 110 on the Nassau-Suffolk border, is located just south of the District and has developed into a major business area. A number of high technology manufacturing units as well as sizeable commercial and financial entities have situated there.

Major Employers in District

<u>Name of Employer</u>	<u>Employment Code</u>	<u>Nature of Enterprise</u>
Huntington Hospital	A	Medical Care Facility
Huntington Schools	B	Educational Services
Town of Huntington	B	Municipality

<u>Employment Code</u>	<u>Number of Employees</u>
A	more than 1,000
B	500 to 1,000

Source: District Officials.

Unemployment Rate Statistics

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

	<u>Year Average</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Suffolk County	3.9%	5.0%	7.7%	7.6%	7.4%
New York State	4.5%	5.3%	8.4%	8.6%	8.2%

	<u>2012 Monthly Figures</u>									
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Suffolk County	8.2%	8.3%	7.6%	7.5%	7.6%	7.9%	8.3%	8.2%	7.5%	7.3%
New York State	9.1%	9.2%	8.7%	8.1%	8.6%	9.1%	9.1%	8.8%	8.2%	8.3%

Source: State of New York, Department of Labor. (Note: Figures not seasonally adjusted).

Larger Taxpayers¹

<u>Name</u>	<u>Type</u>	<u>2011-2012 Assessed Value¹</u>
Long Island Power Authority	Public Utility	\$658,079
VNO 839 New York Ave LLC (Big H)	Shopping Center	242,180
KeySpan	Public Utility	205,461
Verizon	Public Utility	196,855
Nathan Hale Owners Corporation	Commercial	164,740
HD Development of Maryland Inc.	Shopping Center	135,000
Humgro Assoc. LLC	Commercial	87,400
Huntington Comm Dev Agency	Commercial	84,300
156 E. Pulaski LLC	Commercial	75,000
Skillaire LLC	Commercial	66,050

Source: Town Assessment Rolls.

¹ Includes applicable franchise assessments for utilities.

Transportation

The following transportation facilities are available to residents of the District:

Rail transportation is provided by the Port Jefferson branch of the Long Island Railroad, with a station in Huntington. Huntington Area Rapid Transit provides local bus service.

Utilities and Services

Water, electric, gas, sewage collection, fire and police protection are provided to residents of the District as follows:

Water service is provided by Town special water districts and Suffolk County Water Authority; gas and electric by the Long Island Power Authority and KeySpan Corporation. Police protection is furnished by the Suffolk County Police Department, while fire protection is available from local volunteer fire departments. The incorporated Village of Huntington Bay maintains its own police force.

District Organization

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

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year (May 15 in 2012) to elect members of the Board of Education. They are generally elected for staggered terms of three years.

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

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education 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 Assistant Superintendent for Finance and Management Services.

District Facilities

The District currently operates the following facilities:

<u>Name</u>	<u>Year Originally Built</u>	<u>Grades</u>	<u>Present Capacity</u>
Huntington High School	1958, (1966)	9-12	2,050
Finley Middle School	1965	7-8	1,125
Flower Hill Primary School	1954, (1958)	K-3	550
Jack Abrams Intermediate School ¹	1969	N/A	N/A
Jefferson Primary School	1962	K-3	550
Southdown Primary School	1954, (1958)	K-3	550
Washington Primary School	1954, (1958)	K-3	550
Woodhull Intermediate School	1966	4-6	725

¹ Includes Administration building. Closed for educational purposes.

Enrollment History and Projections

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	Projected <u>2012-13</u>	Projected <u>2013-14</u>
K-12	4,250	4,350	4,450	4,500	4,324	4,355	4,360

Source: District records and estimates.

DISTRICT INDEBTEDNESS

Computation of Debt Limit and Debt Contracting Margin

The following table sets forth the computation of the debt limit of the School District and its debt contracting margin as of September 13, 2012.

Full valuation of taxable real property	<u>\$5,154,197,840</u>
Debt limit (10% of full valuation)	515,419,784
Outstanding Indebtedness (Principal only) ¹ :	
Bonds.....	<u>\$3,525,000</u>
Total Net Indebtedness ²	<u>3,525,000</u>
Net Debt Contracting Margin	<u>\$511,894,784</u>
Percentage of Debt Contracting Power Exhausted	<u>0.68%</u>

¹Tax Anticipation and Revenue Anticipation Notes are not included in the computation of the statutory debt limit of the District.

²The District may exclude from gross indebtedness estimated State aid for school building purposes. However, because the District has not applied for a Building Aid Estimate from the Commissioner of Education, no exclusion for such aid is listed in the Debt Statement Summary. Under current law, State Building Aid is, however, currently estimated by the District to be approximately 37% of the total net indebtedness shown above.

Debt Ratios

The following table sets forth certain ratios relating to the District's net indebtedness as of September 13, 2012.

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value^b</u>
Gross Indebtedness (see Computation of Debt Limit).....	\$3,525,000	\$101.26	0.068%

^aThe current estimated population of the District is 34,810.

^bThe District's full value of taxable real estate for 2011-2012 is \$5,154,197,840

Long-Term Debt Service Schedule

The following table sets forth all principal and interest payments presently required on all outstanding long-term bond indebtedness of the District.

Schedule of Principal and Interest on Long-Term Bond Indebtedness

Fiscal Year Ending June 30th	Principal	Interest	Total Principal and Interest
2013	1,045,000	134,113	1,179,113
2014	145,000	103,450	248,450
2015	150,000	97,469	247,469
2016	160,000	91,281	251,281
2017	165,000	84,681	249,681
2018	170,000	77,875	247,875
2019	180,000	70,863	250,863
2020	190,000	63,437	253,437
2021	195,000	55,600	250,600
2022	205,000	47,556	252,556
2023	215,000	39,100	254,100
2024	225,000	29,963	254,963
2025	235,000	20,400	255,400
2026	245,000	10,413	255,413
Totals	<u>\$3,525,000</u>	<u>\$926,201</u>	<u>\$4,451,201</u>

Outstanding Long-Term Bond Indebtedness

The following table sets forth the total long-term bond indebtedness outstanding at the end of the five most recently completed fiscal years.

<u>As of June 30:</u>	<u>Total Bonded Debt</u>
2008.....	\$8,035,000
2009.....	6,370,000
2010.....	5,465,000
2011.....	4,515,000
2012.....	3,525,000

Installment Purchase Obligations

The following is a summary of the District's installment purchase obligations in connection with an energy performance contract.

<u>Issue Year</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding at June 30, 2011</u>
2005	2021	4.076%	\$1,718,822

Capital Project Plans

The District does not have any debt obligations authorized but unissued at the present time.

Bond Anticipation Notes

The District does not currently have any bond anticipation notes outstanding.

Revenue and Tax Anticipation Notes

The following is a history of tax anticipation note borrowings since the 2007-2008 fiscal year. The District has not found it necessary to borrow in anticipation of revenues during this period.

<u>Fiscal Year</u>	<u>Amount</u>	<u>Type</u>	<u>Issue Date</u>	<u>Due Date</u>
2007-08	\$28,000,000	TAN	9/11/07	6/27/08
2008-09	27,000,000	TAN	9/23/08	6/26/09
2009-10	25,000,000	TAN	9/15/09	6/25/10
2010-11	25,000,000	TAN	9/27/10	6/24/10
2011-12	27,000,000	TAN	9/28/11	6/27/11
2012-13(Projected)	27,000,000	TAN	10/04/12	6/21/13

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue debt and to levy taxes or cause taxes to be levied on taxable real property in the District.

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Approximate District's Share</u>	<u>Net Indebtedness</u>
County of Suffolk	\$2,035,899,975	2.13%	\$43,364,669
Town of Huntington	119,550,962	13.7%	16,378,482
Village of Huntington Bay	21,916	100%	21,916
Huntington Fire District	0	80%	0
Huntington Manor Fire District	520,000	40%	208,000
Halesite Fire District	385,000	100%	385,000
Greenlawn Fire District	0	10%	0

Source: New York State Comptroller's Special Report on Municipal Affairs for local fiscal year ended in 2009.

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, 2012 is contained in the Appendices). As reflected in the Appendices, 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 Estate Property Tax Collection Procedure

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

The District receives its full levy before the end of its fiscal year. Uncollected amounts are not segregated by the Town Tax Receiver, and any deficiency in tax collection is the County's liability.

Real Property Tax

The following table sets forth the assessed and full valuation of taxable real property, the District's real property tax levy, rates of tax per \$1,000 assessed valuation and uncollected taxes for recent years.

Valuations, Tax Levy, Rates and Uncollected Taxes

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Assessed Valuation	\$ 46,648,415	\$ 46,359,890	\$ 46,156,301	\$ 45,795,800	\$ 45,356,941
State Equalization Rate	0.77	0.76	0.82	0.88	0.88
Full Valuation	6,058,235,714	6,099,985,526	5,628,817,195	5,204,068,181	5,154,197,840
Tax Levy	85,672,855	88,296,729	89,473,616	91,980,387	94,008,588
Tax Rate per \$1,000 A.V.	1,836.57	1,904.59	1,938.49	2,008.49	2,072.63
Uncollected Taxes	None	None	None	None	None

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.

Approximately 10% of the District's 2011-2012 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 11% of the District's 2012-2013 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State by January 1, 2013. (See "State Aid" herein).

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. However, the Tax Levy Limit Law imposes a statutory limit on the amount of real property taxes that a school district may levy. (See "The Tax Levy Limit Law" herein).

The Tax Levy Limit Law

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law" or "Law") was signed by the Governor. The Tax Levy Limit Law modified previous law by imposing a limit on the amount of real property taxes that a school district may levy. The Law is effective for the District's 2012-2013 fiscal year, commencing July 1, 2012. As a result, the Law applies to taxes levied or to be levied to pay debt service on the Notes, which are expected to be paid from taxes levied during the 2012-2013 fiscal year.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been

defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

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

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

State Aid

The District receives State aid for operating and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. In its 2012-2013 General Fund Budget, the District expects to receive approximately 10% of its operating revenues in the form of State aid. (See "*Recent Events Affecting State Aid to New York School Districts*" herein).

In addition to the amount of State Aid budgeted by the District in its 2012-2013 fiscal year, the State is expected to make payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program in the 2012-2013 fiscal year (See "*STAR-School Tax Exemption*" herein).

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor.

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 reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Recent Events Affecting New York School Districts

State aid to school districts in the State has declined in some recent years.

School district fiscal year (2009-2010): Total State aid for the 2009-2010 fiscal year was maintained at the 2008-2009 levels in part due to the use of Federal aid made available as part of the American Reinvestment and Recovery Act of 2009 ("ARRA"). During said fiscal year, the District's receipt of State aid was delayed as a result of several initiatives adopted by then Governor Paterson in response to the State's ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

School district fiscal year (2010-2011): The total reduction in State aid for the 2010-2011 fiscal year was approximately \$2.1 billion; however, this amount was partially offset by \$726,000,000 in Federal aid for education, including funding from ARRA and other federal initiatives. As a result, the net State aid reduction totaled approximately \$1.4 billion.

School district fiscal year (2011-2012): The total reduction in State aid for the 2011-2012 fiscal year was \$1.3 billion or 6.1 percent from the previous year, and all aid was received on time.

School district fiscal year (2012-2013): The State Legislature adopted the State budget on March 30, 2012. The budget includes an increase of \$751 million in State aid for school districts.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District's 2012-2013 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financing of the State and School Districts of the State*" herein).

Other Revenues

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

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

On May 15, 2012, a majority of the voters of the District approved the District's budget for the 2012-2013 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2011-2012 and 2012-2013 may be found in Appendix A herein.

BUDGETARY PROCEDURES

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

On May 15, 2012, a majority of the voters of the District approved the District's budget for the 2012-2013 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2011-2012 and 2012-2013 may be found in Appendix A herein.

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.

INVESTMENT POLICY

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

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District; (5) certificates of participation issued in connection with installment 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 or 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 the 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.

GENERAL FUND OPERATIONS

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

EMPLOYEES

The number of persons employed by the District, the collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are as follows:

<u>No. of Employees</u>	<u>Union</u>	<u>Expiration Date</u>
16	Huntington School Principals Association	6/30/10*
364	Associated Teachers of Huntington - AFT Local 2474	6/30/11*
4	Secondary Study Hall and Hallway Assistants	6/30/10*
54	Clerical Association, CSEA - Suffolk Co. Educational Local 870	6/30/11*
50	Custodians - SEIU	6/30/10*
37	Food Service Association	6/30/10*
143	District Aide Association - Monitors/TA's	6/30/11*
6	Department Chairpersons	6/30/10*
17	Security Guards	6/30/11*
9	Registered Nurses	6/30/11*

*Contract negotiations are currently in progress.

EMPLOYEE PENSION BENEFITS

New York State Certified (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Payments to the TRS are generally deducted from State aid payments. All non-certified employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS (the "State Retirement System" or "SRS") are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year's full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the current method the 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 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

Due to poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school districts that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

OTHER POST EMPLOYMENT BENEFITS

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

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality

contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for the District.

The District is in compliance with the requirements of GASB 45. The District has determined that its unfunded actuarial accrued liability ("UAAL") for OPEB as of July 1, 2012 was \$182,802,338. For the year ended June 30, 2012, the District's ARC was \$17,399,183.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the District to partially fund its actuarial accrued OPEB liability. 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.

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

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

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

In addition, if and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any Notes. The price or principal value of the Notes is dependent on the prevailing level of interest rates. If interest rates should increase, the price of a bond or note may decline causing the bond or noteholder to potentially incur a capital loss if such bond or note is sold prior to its maturity.

The financial condition of the District as well as the market for 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 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 Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including state fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "State Aid" and "Recent Events Affecting New York School Districts" herein).

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

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon school districts, could have an impact upon the market price for the Notes. (See "*The Tax Levy Limit Law*" herein).

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the School District Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from New York Municipal Advisors Corporation (NYMAC) 516-364-6363 or from the District's Assistant Superintendent for Finance and Management Services 631-673-2111.

FINANCIAL INFORMATION

APPENDIX A

Revenues, Expenditures and Fund Balance - General Fund

Year Ended June 30:	2008	2009	2010	2011	2012
REVENUES					
Real Property Taxes	\$76,827,780	\$79,577,701	\$80,141,906	\$81,584,832	\$83,799,008
Other Tax Items	8,989,947	8,877,137	9,491,310	10,444,482	10,350,722
Charges for Services	529,861	462,398	442,201	367,733	363,861
Use of Money and Property	1,054,380	432,127	258,906	213,470	184,048
Sale of Property and Compensation for Loss	0	210	2,376	24,334	217
Miscellaneous	989,198	1,071,815	1,085,731	1,156,657	1,306,462
State Sources	11,663,181	12,193,480	10,757,149	10,418,229	10,761,826
Federal sources	0	0	1,672,954	814,906	0
Medicaid Reimbursements	50,826	0	0	0	0
Total Revenues	100,105,173	102,614,868	103,852,533	105,024,643	106,766,144
EXPENDITURES					
General Support	9,248,794	9,272,491	9,452,843	9,933,519	9,820,690
Instruction	56,949,413	58,567,160	60,029,440	59,481,601	57,357,693
Pupil Transportation	7,737,802	8,262,567	8,297,893	8,709,432	8,654,881
Employee Benefits	21,579,598	21,862,994	21,635,197	24,745,842	24,395,722
Debt Service	1,025,184	557,648	301,628	279,343	261,813
Total Expenditures	96,540,791	98,522,860	99,717,001	103,149,737	100,490,799
Excess Revenues (Expenditures)	3,564,382	4,092,008	4,135,532	1,874,906	6,275,345
OTHER SOURCES AND USES					
Operating Transfers in	3,134	5,375	123,558	995,254	0
Operating Transfers (out)	(2,998,310)	(1,738,394)	(1,375,925)	(2,441,920)	(3,773,484)
Total Other Sources (Uses)	(2,995,176)	(1,733,019)	(1,252,367)	(1,446,666)	(3,773,484)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	569,206	2,358,989	2,883,165	428,240	2,501,861
Other Changes in Fund Equity	0	0	0	0	0
Fund Equity - Beginning of Year	9,833,437	10,402,643	12,761,632	15,644,797	16,073,037
Fund Equity - End of Year	\$10,402,643	\$12,761,632	\$15,644,797	\$16,073,037	\$18,574,898

¹ Includes STAR payments.

Source: Information for this appendix has been extracted from the audited financial statements of the Huntington Union Free School District. The summary itself has not been audited. Reference should be made to the complete audit reports on file at the District Office.

General Fund Budgets

APPENDIX A-1

	<u>2012-2013 Adopted Budget [1]</u>
REVENUES	
Real Property Taxes	\$96,086,390
State Aid	11,620,014
Other Revenue	2,025,000
Applied Fund Balance	<u>2,127,376</u>
Total Revenues	<u><u>\$111,858,780</u></u>
EXPENDITURES	
General Support	\$10,064,298
Instruction	59,712,172
Pupil Transportation	9,233,918
Employee Benefits	30,056,560
Interfund Transfers(Incl. Debt Service)	1,979,113
Debt Service	<u>812,719</u>
Total Expenditures	<u><u>\$111,858,780</u></u>

[1] The budget for the 2012-2013 fiscal year was approved by voters of the District on May 15, 2012.

Source: Annual budgets of the Huntington Union Free School District.

Balance Sheets - General Fund

APPENDIX A-2

As of June 30:	<u>2011</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$18,421,171	\$22,668,889
Accounts Receivable	169,333	390,077
Due from Other Funds	3,574,370	4,790,627
Due from state and federal	1,221,318	995,978
Due from Other Governments	46,537	0
Other Assets	<u>541,639</u>	<u>536,911</u>
TOTAL ASSETS	<u>\$23,974,368</u>	<u>\$29,382,482</u>
 <u>LIABILITIES</u>		
Accounts Payable	\$568,874	\$392,841
Accrued Liabilities	327,777	297,719
Due to Other Funds	1,564,801	3,956,458
Due to other governments	0	32,703
Due to Teachers' Retirement System	4,257,215	4,806,069
Due to Employees' Retirement System	598,753	549,290
Compensated Absences	0	235,593
Deferred Revenues	<u>583,911</u>	<u>536,911</u>
TOTAL LIABILITIES	<u>7,901,331</u>	<u>10,807,584</u>
 <u>FUND BALANCES</u>		
Fund Balances:		
Nonspendable	0	0
Restricted	9,414,009	11,951,247
Assigned	2,286,736	2,163,911
Unassigned	<u>4,372,292</u>	<u>4,459,740</u>
TOTAL FUND EQUITY	<u>16,073,037</u>	<u>18,574,898</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$23,974,368</u>	<u>\$29,382,482</u>

Source: Information for this appendix has been extracted from the audited financial statements of the Huntington Union Free School District. The summary itself has not been audited. Reference should be made to the complete audit reports on file at the District Office.