

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 26, 2023

**NEW ISSUE
SERIAL BONDS**

RATINGS: See “RATINGS” herein

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 is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See “TAX MATTERS” herein.)

*The District **WILL NOT** designate the Bonds as “qualified tax-exempt obligations” pursuant to the provisions of Section 265(b)(3) of the Code.*

**SMITHTOWN CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

\$28,000,000*

**SCHOOL DISTRICT SERIAL BONDS – 2023
(the “Bonds”)**

Date of Issue: Date of Delivery

Maturity Dates: June 15, 2024 – 2038

The Bonds are general obligations of the Smithtown Central School District, Suffolk County, New York (the “District”), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Bonds, unless paid from other sources, the Bonds 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. (See “*Nature of the Obligation*,” herein).

The Bonds will be dated the 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 Bonds, payable on June 15, 2024, December 15, 2024, and semiannually thereafter on June 15 and December 15 in each year until maturity. The Bonds shall mature on June 15 in the years and amounts as set forth on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity as described herein. (See “*Optional Redemption*” herein).

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as the securities depository for the Bonds. 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. Payment of the principal of 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 for subsequent disbursement to the beneficial owners of such Bonds as described herein. (See “DESCRIPTION OF BOOK-ENTRY SYSTEM” herein.)

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is anticipated that delivery of the Bonds will be made on or about November 16, 2023, through the offices of DTC, or such place agreed to by the purchaser and the District.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM “DEEMED FINAL” BY THE DISTRICT FOR THE PURPOSES OF THE SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE “RULE”). FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENTS TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKINGS,” HEREIN.

DATED: November __, 2023

*Preliminary subject to change.

The Bonds will mature on June 15, subject to optional redemption, in the years and amounts as set forth below:

| <u>Date</u> | <u>Amount⁽¹⁾</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP Number⁽³⁾</u> |
|---------------------|-----------------------------|--------------------------|--------------|---------------------------------------|
| 2024 | \$1,860,000 | | | |
| 2025 | 1,450,000 | | | |
| 2026 | 1,505,000 | | | |
| 2027 | 1,565,000 | | | |
| 2028 | 1,620,000 | | | |
| 2029 | 1,680,000 | | | |
| 2030 | 1,745,000 | | | |
| 2031 | 1,810,000 | | | |
| 2032 ⁽²⁾ | 1,875,000 | | | |
| 2033 ⁽²⁾ | 1,945,000 | | | |
| 2034 ⁽²⁾ | 2,020,000 | | | |
| 2035 ⁽²⁾ | 2,100,000 | | | |
| 2036 ⁽²⁾ | 2,185,000 | | | |
| 2037 ⁽²⁾ | 2,275,000 | | | |
| 2038 ⁽²⁾ | 2,365,000 | | | |

- (1) The principal amounts of the Bonds are subject to adjustment following their sale, pursuant to the terms of the accompanying Notice of Sale.
- (2) The Bonds maturing in the years 2032 and thereafter will be subject to optional redemption prior to maturity, as described herein. (See "*Optional Redemption*" herein.)
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**SMITHTOWN CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

2023-2024 Board of Education

Stacy Ann MurphyPresident
Karen Wontrobski-Ricciardi..... Vice President
Michael CatalanottoTrustee
Kevin CraineTrustee
Matthew Gribbin.....Trustee
Michael SaidensTrustee
John Savoretti.....Trustee

Mark E. Secaur..... Superintendent of Schools
Andrew TobinAssistant Superintendent for Finance & Operations
Maureen O'ConnorDistrict Clerk

BOND COUNSEL

HAWKINS DELAFIELD & WOOD LLP
New York, New York

MUNICIPAL ADVISOR



Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(516) 274-4501

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

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OFFICIAL STATEMENT

**SMITHTOWN CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

relating to

\$28,000,000*

**SCHOOL DISTRICT SERIAL BONDS – 2023
(the “Bonds”)**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, presents certain information relating to the Smithtown Central School District, in Suffolk County, in the State of New York (the “District,” “County,” and “State,” respectively), in connection with the sale of \$28,000,000* School District Serial Bonds – 2023 (the “Bonds”).

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. All references to the Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated the 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 Bonds, payable on June 15, 2024, December 15, 2024, and semiannually thereafter on June 15 and December 15 in each year until maturity. The Bonds shall mature on June 15 in the years and amounts as set forth on the inside cover page hereof. The Bonds will be subject to optional redemption prior to maturity as described herein. (See “*Optional Redemption*” herein).

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 for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds.

Principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal of and interest on to its Participants (defined herein), for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds as described 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 and interest on the Bonds is the last day of the calendar month immediately preceding each interest payment date.

(The remainder of this page was intentionally left blank.)

*Preliminary subject to change.

Authority for and Purpose of the Bonds

The 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 October 26, 2021, following approval of a proposition by a majority of the qualified voters of the District at a Special District Meeting held on September 28, 2021, authorizing the issuance of \$120,000,000 serial bonds by the District to finance the construction of alterations and improvements to all District buildings and the sites thereof (the "Project"). The proceeds from the sale of the Bonds will be used to provide additional original financing for the Project.

Optional Redemption

The Bonds maturing on or before June 15, 2031 are not subject to redemption prior to their stated maturity. The Bonds maturing on or after June 15, 2032 will be subject to redemption prior to maturity, at the option of the District, on any date on or after June 15, 2031, 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 equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected 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 holder not more than sixty (60) days nor less than thirty (30) days prior to such date of redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call of redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date (See "*DESCRIPTION OF BOOK-ENTRY SYSTEM*" for additional information concerning redemptions).

Nature of the Obligation

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

The Bonds are 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 and interest 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 State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the District's power to increase its annual tax levy. As a result, the power of the District to levy real estate taxes on all the taxable real property within the District is subject to statutory limitations set forth in Tax Levy Limit Law. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. As the Bonds are being issued to finance voter approved capital expenditures, the Bonds qualify for such exclusion to the annual tax levy limitation. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*" herein.)

REMEDIES UPON DEFAULT

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the District default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. The Bonds are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Bonds, the owners of such Bonds could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Bondholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district;

however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

No Past Due Debt

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

Bankruptcy

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors’ rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

SECTION 99-B OF THE STATE FINANCE LAW

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

DESCRIPTION OF BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bonds 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”). 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 under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 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, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 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; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 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 are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 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.

RISK FACTORS

There are certain potential risks associated with an investment in the Bonds, 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 Bonds.

In addition, if and when a holder of any of the Bonds should elect to sell a Bond 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 Bonds. The price or principal value of the Bonds 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 Bonds 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. 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, 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, the impact to the State's economy and financial condition due to the COVID-19 outbreak 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 "*Events Affecting New York School Districts*" herein).

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid.

Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction 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.

CYBERSECURITY

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

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, apart from matters provided for by applicable insurance coverage, there are no significant claims or action pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District, in view of the of the District's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

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 covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for the tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. 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 Bonds.

Prospective owners of the Bonds 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 Bonds 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 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds 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 Bonds.

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 Bonds 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 Bonds.

Bond Premium

In general, if an owner acquires an 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 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 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 Bonds 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 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond 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 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Bond Counsel’s opinion will be in substantially the form attached hereto in Appendix D.

DISCLOSURE UNDERTAKINGS

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) with respect to the Bonds, the District will execute an Undertaking to Provide Continuing Disclosure for the Bonds, the form of which is attached hereto as Appendix E.

Compliance History

On September 27, 2022, the District filed an event notice with respect to the District’s failure to provide a table consisting of the population trends of the District, Town, and County in its annual financial information and operating data for the fiscal years ending June 30, 2019 through 2021, inclusive.

RATING

On October 24, 2023, Moody’s Investors Service, Inc. (“Moody’s”) affirmed the District’s credit rating of “Aa2” and applied such rating to the Bonds.

With respect to the Moody's rating applicable to uninsured debt of the District, such rating reflects only the views of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's, at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. 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 Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Great Neck, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the District in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal 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 Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District. The Municipal 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.

ADDITIONAL INFORMATION

Additional information may be obtained from the District’s Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021, (516) 364-6363 or from the District’s Assistant Superintendent for Finance and Operations at (631) 382-2115.

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.

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.

The statements contained in this Official Statement and the appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the City assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

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

SMITHTOWN CENTRAL SCHOOL DISTRICT

By: _____
Stacy Ann Murphy
President of the Board of Education

DATED: November __, 2023

APPENDIX A

THE DISTRICT

THE DISTRICT

General Information

The District is comprised of approximately 27 square miles of land and is situated wholly in the Town of Smithtown (the “Town”). In 1955, three union free districts and one common district were combined to form the present-day Smithtown Central School District. The District has a population currently estimated at 56,464.

Located within the boundaries of the District are the main offices or branches of six commercial banks, three savings and loan associations, and two savings banks. A large, modern hospital, a large public library, the main municipal buildings of the Town of Smithtown, and two stations for the Long Island Railroad are also located within the borders of the District.

The District is provided with electricity and natural gas by the Long Island Power Authority and National Grid, and water service by the Suffolk County Water Authority, Smithtown Water District, and the St. James Water District. Police protection is provided by the Suffolk County Police Department, and fire protection is provided by four volunteer fire departments.

The Smithhaven Mall, one of the larger shopping malls on the East Coast, is partially located within the District. Along with various retail and specialty outlets, nationally known department stores such as Macy’s and Roebuck & Co. are also residents of the Smithhaven Mall. Several other shopping centers, as well as medical group facilities and a full range of commercial activity are located in the central business district of Smithtown. Other employment opportunities for residents include nearby industrial parks, the Suffolk County Office Building Center, and the State Office Building. Many residents of the District commute to New York City. Major thoroughfares in the District include Jericho Turnpike (N.Y. State Route 25), Nesconset-Port Jefferson Highway (N.Y. State Route 347), and the Veterans Memorial Highway (N.Y. State Route 454).

Largest Taxpayers in the District

| <u>Name</u> | <u>Type</u> | <u>2022-2023 Assessed Value⁽¹⁾</u> |
|-------------------------------|---------------------|---|
| PSEG Long Island | Utility | \$2,949,751 |
| Smithtown Galleria | Shopping Center | 1,779,898 |
| Mall at Smith Haven. LLC | Large Retail Outlet | 1,148,933 |
| KeySpan | Utility | 680,458 |
| Celwyn Company, Inc. | Shopping Center | 667,913 |
| Smith Haven Center Assoc. LLC | Shopping Center | 613,086 |
| The Price Co. | Costco Store | 596,135 |

(1) Includes applicable franchise assessments for utilities.
Source: Town Assessment Rolls.

Transportation

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

Utilities and Services

Water service is provided by Town special water districts and Suffolk County Water Authority; gas and electric by the PSEG Long Island and National Grid Corporation. Police protection is furnished by the Suffolk County Police Department, while fire protection is available from local volunteer fire departments. The incorporated Villages of Head of the Harbor and Nissequogue maintain their own police forces.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The information set forth below with respect to the Town, 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 Town, County, or State is necessarily representative of the District, or vice versa. The unemployment rate statistics shown below are not seasonally adjusted.

| | <u>Year Average</u> | | | | |
|----------------|---------------------|-------------|-------------|-------------|-------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| Smithtown Town | 3.3% | 3.1% | 7.2% | 3.9% | 2.6% |
| Suffolk County | 3.8% | 3.5% | 8.1% | 4.6% | 3.1% |
| New York State | 4.1% | 3.9% | 9.8% | 7.0% | 4.3% |

| | <u>2023 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> |
| Smithtown Town | 2.9% | 2.8% | 2.5% | 2.1% | 2.5% | 2.7% | 2.8% | 3.1% |
| Suffolk County | 3.7% | 3.5% | 3.1% | 2.4% | 2.8% | 2.9% | 3.1% | 3.5% |
| New York State | 4.6% | 4.5% | 4.0% | 3.7% | 3.8% | 4.2% | 4.1% | 4.4% |

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 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 the Assistant Superintendent for Finance & Operations.

Population

In the past, the District's population has shown the following trends as compared to the Town and County in which the District is situated.

| <u>Year</u> | <u>District</u> | <u>Town of Smithtown</u> | <u>County of Suffolk</u> |
|-------------|-----------------|------------------------------|------------------------------|
| 2000 | 55,181 | 115,300 | 1,388,461 |
| 2010 | 58,523 | 121,340 | 1,511,028 |
| 2020 | 56,629 | 116,296 | 1,525,920 |
| 2022 | 56,464 | 115,768 | 1,525,465 |

Source: District Officials' estimates and U.S. Census Bureau.

District Facilities

The District currently operates the following facilities:

| <u>Name</u> | <u>Year Originally Built</u> | <u>Type</u> | <u>Present Capacity</u> |
|--|------------------------------|-------------------|-------------------------|
| Accompsett Elementary | 1967 | Elementary | 750 |
| Branch Brook Elementary ⁽¹⁾ | 1967 | Elementary | 950 |
| Dogwood Elementary | 1961 | Elementary | 670 |
| Mills Pond Elementary | 1965 | Elementary | 600 |
| Mt. Pleasant Elementary | 1961 | Elementary | 700 |
| Nesconset Elementary ⁽¹⁾ | 1909 | Elementary | 680 |
| Smithtown Elementary | 1950 | Elementary | 600 |
| St. James Elementary | 1907 | Elementary | 725 |
| Tackan Elementary | 1968 | Elementary | 780 |
| Accompsett Middle School | 1971 | Middle School | 1,000 |
| Great Hollow Middle School | 1964 | Middle School | 1,000 |
| Nesaquake Middle School | 1971 | Middle School | 969 |
| New York Avenue Administration Bldg. | 1924 | Non-Instructional | N/A |
| Smithtown High School – East Campus | 1959 | High School | 2,800 |
| Smithtown High School – West Campus | 1973 | High School | 2,500 |
| Facilities and Transportation | 1971 | Non-Instructional | N/A |
| Warehouse/Commissary | Var. | Non-Instructional | N/A |

(1) This building is currently closed to students.

Enrollment History and Projections

| | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>Projected 2024-25</u> | <u>Projected 2025-26</u> |
|------|----------------|----------------|----------------|----------------|----------------|--------------------------|--------------------------|
| K-12 | 8,628 | 8,416 | 8,111 | 7,823 | 7,607 | 7,433 | 7,458 |

Source: District records and estimates.

DISTRICT INDEBTEDNESS

Constitutional and Statutory Requirements

The New York State Constitution limits the power of the District (and other municipalities and other 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.

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 or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted; indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or the weighted average maturity of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law, with the amount of such increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. (See “*The Tax Levy Limit Law*” herein).

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. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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. However, such finance board may delegate the power to sell the Bonds 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.

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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 October 26, 2023.

| | | |
|--|--------------------|-------------------------|
| Full valuation of taxable real property | | <u>\$13,768,394,253</u> |
| Debt limit (10% of full valuation)..... | | 1,376,839,425 |
| Outstanding Indebtedness (Principal only) ⁽¹⁾ : | | |
| Bonds..... | \$36,480,000 | |
| Less Exclusion for Estimated Building Aid ⁽²⁾ | <u> 0</u> | |
| Total Net Indebtedness..... | | <u>36,480,000</u> |
| Net Debt Contracting Margin..... | | <u>\$1,340,359,425</u> |
| Percentage of Debt Contracting Power Exhausted..... | | <u>2.65%</u> |

- (1) Tax Anticipation and Revenue Anticipation Notes are not included in the computation of the statutory debt limit of the District.
- (2) The 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 outstanding net indebtedness as of October 26, 2023.

| | <u>Amount</u> | <u>Per Capita⁽¹⁾</u> | <u>Percentage of Full Value⁽²⁾</u> |
|---|---------------|---------------------------------|---|
| Gross Indebtedness (see Computation of Debt Limit)..... | \$36,480,000 | \$646.08 | 0.26% |

- (1) The current estimated population of the District is 56,464.
- (2) The District's full value of taxable real estate for 2023-2024 is \$13,768,394,253.

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> |
|-----------------------|--------------------------|
| 2019 | \$39,730,000 |
| 2020 | 31,570,000 |
| 2021 | 23,005,000 |
| 2022 | 14,025,000 |
| 2023 | 40,325,000 |

Source: District records.

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Debt Service Schedule

The following table shows the debt service requirements to maturity on the District’s outstanding bonded indebtedness, exclusive of the Bonds, and exclusive of any economically defeased obligations.

| Fiscal Year Ending June 30th | Principal | Interest | Total Principal and Interest |
|------------------------------------|---------------------|---------------------|------------------------------------|
| 2024 ⁽¹⁾ | \$5,505,000 | \$1,831,525 | \$7,336,525 |
| 2025 | 5,785,000 | 1,551,275 | 7,336,275 |
| 2026 | 1,830,000 | 1,363,150 | 3,193,150 |
| 2027 | 1,920,000 | 1,271,650 | 3,191,650 |
| 2028 | 2,015,000 | 1,175,650 | 3,190,650 |
| 2029 | 2,120,000 | 1,074,900 | 3,194,900 |
| 2030 | 2,225,000 | 968,900 | 3,193,900 |
| 2031 | 2,335,000 | 857,650 | 3,192,650 |
| 2032 | 2,450,000 | 740,900 | 3,190,900 |
| 2033 | 2,575,000 | 618,400 | 3,193,400 |
| 2034 | 2,705,000 | 489,650 | 3,194,650 |
| 2035 | 2,840,000 | 354,400 | 3,194,400 |
| 2036 | 2,950,000 | 240,800 | 3,190,800 |
| 2037 | 3,070,000 | 122,800 | 3,192,800 |
| Totals: | <u>\$40,325,000</u> | <u>\$12,661,650</u> | <u>\$52,986,650</u> |

(1) For the entire fiscal year.

Lease Financing Obligations

The following is a summary of the District’s lease financing obligations.

| <u>Description of Issue</u> | <u>Issue Year</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding at June 30, 2023</u> |
|-----------------------------|-----------------------|---------------------------|--------------------------|--|
| Energy Performance Contract | 2014 | 2025 | 2.85% | \$ 766,144 |
| Energy Performance Contract | 2019 | 2033 | 3.03% | \$16,420,933 |

Authorized but Unissued Debt

Following the sale of the Bonds, the District currently will have \$55,000,000 in authorized but unissued debt related to the Project (see “*Authority for and Purpose of the Bonds*” herein.)

Bond Anticipation Notes

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

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Revenue and Tax Anticipation Notes

The following is a history of tax anticipation note borrowings since the 2018-2019 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> |
|--------------------|---------------|-------------|-------------------|-----------------|
| 2018-19 | \$50,000,000 | TAN | 10/09/18 | 6/28/19 |
| 2019-20 | 48,000,000 | TAN | 10/08/19 | 6/26/20 |
| 2020-21 | 80,000,000 | TAN | 10/01/20 | 6/25/21 |
| 2021-22 | 50,000,000 | TAN | 10/05/21 | 6/29/22 |
| 2022-23 | 60,000,000 | TAN | 10/04/22 | 6/28/23 |
| 2023-24 | 56,000,000 | TAN | 10/03/23 | 6/27/24 |

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>District's Share</u> | <u>Net Indebtedness</u> |
|------------------------|-------------------------------------|-------------------------|-----------------------------|
| County of Suffolk | \$1,191,820,354 | 3.36% | \$40,045,164 |
| Town of Smithtown | 39,077,919 | 48.50% | 18,952,791 |
| Head of Harbor Village | 304,000 | 100.00% | 304,000 |
| Village of The Branch | 0 | 100.00% | 0 |
| Nissequoque Village | 352,183 | 10.000% | 352,183 |

Source: New York State Comptroller's Special Report on Municipal Affairs for local fiscal years ending in 2022.

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, 2023 is contained in Appendix B). 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.

Impact of COVID-19

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021. Included in this bill was \$350 billion in direct aid to state and local governments. Payments to local governments will be made in two tranches, the first half 60 days after enactment and the second half one year later. The funding is available through, and must be spent by, the end of the calendar year 2026.

Specifically, eligible uses of the aid include: (i) revenue replacement for the provision of government services to the extent the reduction in revenue is due to the COVID-19 public health emergency relative to revenues collected in the most recent fiscal year prior to the emergency; (ii) premium pay for essential workers; (iii) assistance to small businesses, households, and hard-hit industries, and economic recovery; and (iv) investments in water, sewer and broadband infrastructure. The bill also contains two restrictions on eligible uses: (i) funds cannot be used to directly or indirectly offset tax reductions or delay a tax increase; and (ii) funds cannot be deposited into any pension fund.

The District was allocated \$1,849,742 from the American Rescue Plan Act (“ARP”) and received installments of \$150,043 for the 2021-22 fiscal year and \$98,590 for the 2022-23 fiscal year, with the remaining \$1,601,109 expected in the 2023-24 fiscal year. Additionally, the District received \$7,819,005 from the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) in August 2021, which was allocated for use in the 2021-22 and 2022-23 fiscal years.

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 and rates of tax per \$1,000 assessed valuation (exclusive of any library tax), and uncollected taxes for the five most recent fiscal years.

Valuations, Tax Levy, Rates and Uncollected Taxes

| | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Assessed Valuation | \$ 118,660,287 | \$ 118,973,956 | \$ 119,187,583 | \$ 119,358,896 | \$ 119,785,030 |
| State Equalization Rate | 1.16% | 1.15% | 0.98% | 0.87% | 0.87% |
| Full Valuation | 10,229,335,086 | 10,345,561,391 | 12,161,998,265 | 13,719,413,333 | 13,768,394,253 |
| Tax Levy | 197,866,115 | 201,458,364 | 204,979,539 | 207,439,293 | 213,302,727 |
| Tax Rate per \$1,000 A.V. | 1,667.50 | 1,693.30 | 1,719.81 | 1,737.95 | 1,780.71 |

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$65,300 for the 2016-17 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

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

The State 2017-18 Enacted Budget includes changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the

levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

The State's 2019-2020 Enacted Budget included changes to the STAR program. For those homeowners with incomes over \$250,000, the STAR exemption benefit was capped at the 2019 fiscal year level, rather than allowed to grow by up to 2% annually under the STAR credit program. Those homeowners with incomes between \$250,000 and \$500,000 are able to convert to the credit program to maintain the full STAR benefit.

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

Approximately 5.85% of the District's 2022-2023 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 5.31% of the District's 2023-2024 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2024. (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

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

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures (such as the Bonds), 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, 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 appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the School Districts can be paid only if the State has such monies available for such payment.

The following table sets forth total general fund revenues and State aid revenues during the last five audited fiscal years and the amounts budgeted for the current fiscal year.

| <u>Fiscal Year</u> <u>Ended June 30:</u> | <u>Total</u> <u>Revenues⁽¹⁾</u> | <u>Total</u> <u>State Aid</u> | <u>Percentage of Total Revenues</u> <u>Consisting of State Aid</u> |
|---|---|----------------------------------|---|
| 2019 | \$244,913,464 | \$46,084,248 | 18.8% |
| 2020 | 251,379,797 | 46,639,306 | 18.5 |
| 2021 | 255,906,529 | 47,730,082 | 18.7 |
| 2022 | 259,114,361 | 48,084,881 | 18.6 |
| 2023 | 268,028,938 | 50,510,724 | 18.8 |
| 2024 (Adopted Budget) | 280,642,272 | 53,033,047 | 18.9 |

(1) General Fund.

Source: Audited Financial Statements and Adopted Budget of the District. Summary itself 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*” herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The use of federal stimulus funds has allowed the State to avoid gap closing measures; however, the State may be required to implement gap closing measures in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2023-24 Enacted Budget provides \$34.5 billion in State funding to school districts for the 2023-24 school year the highest level of State aid ever. This represents a year-to-year funding increase of \$3.1 billion or 10.00%. and includes \$24.1 billion of Foundation Aid which increased 12.8% from 2022-23. The 2023-24 school year increase in Foundation Aid is to complete the three-year phase-in of full funding of the current Foundation Aid formula.

The State’s 2023-24 Enacted Budget also increases the State’s annual investment in prekindergarten to \$1.2 billion, an increase of \$125 million, or 9.09%. The Budget also includes a total of \$20 million in grant funding to support the establishment of new early college high school programs.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State’s 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State’s fiscal year of April 1. The State’s budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State’s 2023-24 Enacted Budget was adopted on May 2, 2023, which was later than in most recent years. No assurance can be given that the State will not experience delays in in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget.

In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

Events Affecting New York School Districts

School district fiscal year (2019-2020): For the 2019-20 school year, the State's Enacted Budget included a total of \$27.9 billion for School Aid, a year-to-year funding increase of approximately \$1.2 billion. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education continued in full, as is the State's usual practice. Transportation aid increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019-2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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

School district fiscal year (2021-2022): For the 2021-2022 school year, the State's Enacted budget provided \$29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represented an increase of 11.3% (\$3.0 billion) compared to the 2020-2021 school year, including a \$1.4 billion (7.6%) Foundation Aid increase. The Enacted budget allocated \$13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, helped schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID19 pandemic. The Budget allocated \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget used \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

School district fiscal year (2022-2023): For the 2022-2023 school year, the State's Enacted provided \$31.3 billion in State funding to school districts for the 2022-23 school year the highest level of State aid ever. This represented a year-to-year funding increase of \$2.1 billion or 7.07%. and included \$21.4 billion of Foundation Aid which increased 8.1% from 2021-22. The 2022-23 school year increase in Foundation Aid primarily reflected the second year of the three-year phase-in of full funding of the current Foundation Aid formula. The Enacted Budget also increased the State's annual investment in prekindergarten to \$1.1 billion, an increase of \$125 million, or 13%. The Budget also included a total of \$100 million of matching funds over two years to be provided to school districts and BOCES with the highest needs to address student wellbeing and learning loss in response to the trauma brought about by the COVID-19 pandemic. This included support for extended school day or school year programs, afterschool programs, mental health professionals and other locally determined initiatives.

School district fiscal year (2023-2024): For the 2023-2024 school year, the Enacted Budget provides \$34.5 billion in State funding to school districts for the 2023-24 school year the highest level of State aid ever. This represents a year-to-year funding increase of \$3.1 billion or 10.00%. and includes \$24.1 billion of Foundation Aid which increased 12.8% from 2022-23. The 2022-23 school year increase in Foundation Aid is to complete the three-year phase-in of full funding of the current Foundation Aid formula. The Enacted Budget also increases the State’s annual investment in prekindergarten to \$1.2 billion, an increase of \$125 million, or 9.09%. The Budget also includes a total of \$20 million in grant funding to support the establishment of new early college high school programs.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year or in future fiscal years. However, the District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also “*Risk Factors*” herein).

The Smart Schools Bond Act (the “SSBA”) was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District has not applied for funding through the SSBA.

Other Revenues

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

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.)

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 B sets forth the General Fund operations for the last five fiscal years which are derived from Audited Financial Statements on file in the office of the District Treasurer.

The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the District as "no designation."

The financial affairs of the District are subject to periodic compliance reviews by OSC to ascertain whether the District has complied with the requirements of various State and federal statutes. The last audit conducted by OSC was released on June 11, 2021. The purpose of the audit was to evaluate District controls over claims processing and travel-related expenses for the period July 1, 2018 through January 31, 2020. The complete report can be obtained from OSC's website.

See the State Comptroller's official website for more information. Reference to this website implies no warranty of accuracy of information therein. References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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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>Unit</u> | <u>Expiration Date</u> |
|-----------------------------|--|----------------------------|
| 36 | Smithtown School Administrators' Association | 6/30/28 |
| 963 | Smithtown Teachers' Association | 6/30/28 |
| 685 | Smithtown School Employees' Association | 6/30/28 |
| 22 | Association of Smithtown Professional Nurses | 6/30/26 |
| 114 | Smithtown Security Guards Association | 6/30/24 |
| 10 | Non-aligned Supervisors | N/A |
| 6 | Managerial Confidential Administrators | N/A |
| 6 | Confidential Clerical | N/A |

Employee Pension Benefits

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. All members of the respective systems hired on or after July 1, 1976 contribute a portion of their gross annual salary toward the cost of retirement programs. In the case of Tier 5 and Tier 6 employees, there is no provision for these employee contributions to cease after a certain period of service.

All employees hired after April 1, 2012 are eligible to become members of the Tier 6 pension tier. Tier 6 has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; the retirement age for such employees is 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting occurs after 5 years; the time period for calculation of final average salary is five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. Tier 6 also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Legislation has been enacted from time to time that authorizes school districts to amortize or defer a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established such a fund in the fiscal year ended June 30, 2019.

Other Post Employment Benefits

The District implemented GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), which replaces GASB Statement No. 45 as of fiscal year ended June 30, 2018. GASB 75 requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, known as other post-employment benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB similarly to GASB Statement No. 68 reporting requirements for pensions.

GASB 75 requires state and local governments to measure a defined benefit OPEB plan as the portion of the present value of projected benefit payments to be provided to current active and inactive employees, attributable to past periods of service in order to calculate the total OPEB liability. Total OPEB liability generally is required to be determined through an actuarial valuation using a measurement date that is no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year.

GASB 75 requires that most changes in the OPEB liability be included in OPEB expense in the period of the changes. Based on the results of an actuarial valuation, certain changes in the OPEB liability are required to be included in OPEB expense over current and future years.

The District primarily provides OPEB through the Suffolk School Employees Health Plan (“SSEHP”). The District’s SSEHP total OPEB liability as of December 31, 2022 was \$295,375,295, using a discount rate of 3.72% and actuarial assumptions and other inputs as described in the District’s June 30, 2022 audited financial statements.

The District also provides OPEB through the New York State Health Insurance Plan (“NYSHIP”). The District’s NYSHIP total OPEB liability as of June 30, 2022 was \$1,589,216, using a discount rate of 3.54% and actuarial assumptions and other inputs as described in the District’s June 30, 2022 audited financial statements.

Should the District be required to fund the total 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 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 will continue funding this expenditure on a pay-as-you-go basis.

Legislation has been introduced to create an optional investment pool to help the State and local governments fund retiree health insurance and OPEB. The proposed legislation would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State’s OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the proposed legislation, there would be no limits on how much a local government can deposit into the trust. The District cannot predict whether such legislation will be enacted into law in the foreseeable future.

End of Appendix A

APPENDIX B

FINANCIAL STATEMENT SUMMARIES

SMITHTOWN CENTRAL SCHOOL DISTRICT
Statement of Budgeted Revenues and Expenditures
Fiscal Year Ending June 30:

| | 2022-2023 Adopted Budget ⁽¹⁾ | 2023-2024 Adopted Budget ⁽²⁾ |
|------------------------------------|---|---|
| <u>REVENUES</u> | | |
| Real Property Taxes ⁽³⁾ | \$ 207,439,293 | \$ 213,302,727 |
| State Aid | 48,731,716 | 53,033,047 |
| Appropriated Fund Balance | 1,500,000 | 1,500,000 |
| Other Revenue | 10,115,873 | 12,806,498 |
| Total Revenues | \$ 267,786,882 | \$ 280,642,272 |
| <u>EXPENDITURES</u> | | |
| General Support | \$ 25,229,581 | \$ 25,812,954 |
| Instruction | 151,801,414 | 159,285,690 |
| Pupil Transportation | 18,772,286 | 19,633,618 |
| Community Services | 2,250 | 2,250 |
| Employee Benefits | 58,883,676 | 61,291,027 |
| Interfund Transfers | 590,000 | 600,000 |
| Debt Service | 12,507,675 | 14,016,733 |
| Total Expenditures | \$ 267,786,882 | \$ 280,642,272 |

(1) The budget for the 2022-2023 fiscal year was approved by voters of the District on May 17, 2022.

(2) The budget for the 2023-2024 fiscal year was approved by voters of the District on May 16, 2023.

(3) Inclusive of STAR payments.

Source: Annual budgets of the Smithtown Central School District.

SMITHTOWN CENTRAL SCHOOL DISTRICT
Comparative Balance Sheet - General Fund
Fiscal Years Ended June 30:

| | 2022 | 2023 |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Unrestricted Cash | \$ 21,668,989 | \$ 23,543,550 |
| Restricted Cash | 40,785,570 | 40,647,854 |
| State & Federal Aid Receivable | 6,265,378 | 6,226,058 |
| Due from Other Governments | 4,955,401 | 5,030,782 |
| Due from Other Funds | 5,091,343 | 3,662,441 |
| Other/Accounts Receivable | 62,549 | 200,300 |
| Leases Receivables | 1,602,625 | 1,222,448 |
| Prepaid Expenditures | 100,000 | 110,329 |
| TOTAL ASSETS | \$ 80,531,855 | \$ 80,643,762 |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 2,780,478 | \$ 2,421,166 |
| Accrued Liabilities | 978,627 | 786,895 |
| Due to Other Governments | 2,781,834 | 2,951,451 |
| Due to Other Funds | 20,547 | 30,088 |
| Due to Teachers' Retirement System | 11,190,092 | 12,124,960 |
| Due to Employees Retirement | 970,507 | 1,117,872 |
| Compensated Absences | 613,962 | 433,970 |
| Collections in Advance | 51,877 | 93,849 |
| Student Deposits | 12,978 | 4,598 |
| Deferred Revenue | 5,571,122 | 5,190,945 |
| TOTAL LIABILITIES | 24,972,024 | 25,155,794 |
| <u>FUND BALANCES</u> | | |
| Nonspendable | 100,000 | 110,329 |
| Restricted | 40,785,570 | 40,647,854 |
| Assigned | 3,970,375 | 3,509,218 |
| Unassigned | 10,703,886 | 11,220,567 |
| TOTAL FUND BALANCES | 55,559,831 | 55,487,968 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 80,531,855 | \$ 80,643,762 |

Source: Information for this appendix has been extracted from the audited financial statements of the Smithtown Central School District. This summary itself has not been audited. Reference should be made to the complete audit reports on file at the District office.

SMITHTOWN CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund
Fiscal Year Ended June 30:

| Year Ended June 30: | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>REVENUES</u> | | | | | |
| Real Property Taxes | \$ 175,283,552 | \$ 183,526,583 | \$ 188,178,682 | \$ 192,619,168 | \$ 195,937,737 |
| Other Tax Items | 17,988,940 | 15,097,402 | 14,095,168 | 13,198,758 | 12,463,291 |
| Charges for Services | 2,315,170 | 2,081,888 | 1,953,476 | 2,236,672 | 2,473,703 |
| Use of Money and Property | 1,669,888 | 1,078,218 | 314,055 | 558,644 | 4,684,668 |
| Forfeiture of deposits | 6,760 | 9,809 | 2 | 0 | 100 |
| Sale of Property and Compensation for Loss | 385,512 | 281,723 | 344,457 | 345,567 | 259,379 |
| State Sources | 46,382,124 | 46,639,306 | 47,730,082 | 48,084,881 | 50,510,724 |
| Federal Sources | 173,668 | 168,756 | 504,802 | 257,419 | 429,119 |
| Miscellaneous | 1,712,286 | 2,496,112 | 2,785,805 | 1,813,252 | 1,270,217 |
| Total Revenues | 245,917,900 | 251,379,797 | 255,906,529 | 259,114,361 | 268,028,938 |
| <u>EXPENDITURES</u> | | | | | |
| General Support | 24,122,073 | 24,676,365 | 24,771,301 | 25,385,004 | 25,182,306 |
| Instruction | 136,023,203 | 140,167,873 | 140,529,143 | 144,843,331 | 150,688,763 |
| Pupil Transportation | 16,186,214 | 13,402,282 | 17,009,105 | 18,297,566 | 19,453,876 |
| Employee Benefits | 52,863,063 | 52,109,940 | 55,450,847 | 56,862,633 | 58,319,333 |
| Debt Service | 13,334,690 | 12,869,298 | 13,427,506 | 12,741,665 | 13,765,637 |
| Total Expenditures | 242,529,243 | 243,225,758 | 251,187,902 | 258,130,199 | 267,409,915 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,388,657 | 8,154,039 | 4,718,627 | 984,162 | 619,023 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 | 42,950 |
| Operating Transfers Out | (561,978) | (581,702) | (607,749) | (491,976) | (733,836) |
| Total Other Financing Sources | (561,978) | (581,702) | (607,749) | (491,976) | (690,886) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 2,826,679 | 7,572,337 | 4,110,878 | 492,186 | (71,863) |
| Fund Balances (Deficits) - Beginning of Year | 40,557,751 | 43,384,430 | 50,956,767 | 55,067,645 | 55,559,831 |
| Fund Balances - End of Year | \$ 43,384,430 | \$ 50,956,767 | \$ 55,067,645 | \$ 55,559,831 | \$ 55,487,968 |

Source: Information for this appendix has been extracted from the audited financial statements of the Smithtown Central School District. This summary itself has not been audited. Reference should be made to the complete audit reports on file at the District office.

APPENDIX C

**LINK TO
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023***

**Can be accessed on the Electronic Municipal Market Access (“EMMA”) website
of the Municipal Securities Rulemaking Board (“MSRB”)
at the following link:**

<https://emma.msrb.org/P21769666.pdf>

**The audited financial statements referenced above are hereby incorporated into the
attached Official Statement.**

*** Such Financial Statements and opinion are intended to be representative only as of the
date thereof. R.S. Abrams & Co., LLP has not been requested by the District to further
review and/or update such Financial Statements or opinion in connection with the
preparation and dissemination of this Official Statement.**

APPENDIX D

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
FOR THE BONDS**

Hawkins Delafield & Wood LLP
7 World Trade Center, 250 Greenwich Street, 41st floor
New York, New York 10007

November 16, 2023

The Board of Education of
the Smithtown Central School District, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Smithtown Central School District (the “School District”), in the County of Suffolk, New York, a school district of the State of New York, in connection with the authorization, sale, and issuance of the \$28,000,000 School District Serial Bonds-2023 (the “Bonds”), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Bonds for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the

Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the School District will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in said Bonds.

Very truly yours,

APPENDIX E

FORM OF DISCLOSURE UNDERTAKING FOR THE BONDS

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Smithtown Central School District, in the County of Suffolk, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the President of the Board of Education as of November 8, 2023.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$28,000,000 School District Serial Bonds-2023**, dated November 16, 2023, maturing in various principal amounts on June 15 in each of the years 2024 to 2038, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York to the EMMA System:

- (i) no later than six (6) months following the end of each fiscal year, commencing with the fiscal year ending June 30, 2023, the Annual Information relating to such fiscal year, together with audited financial statements of the Issuer for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements

are not then available, unaudited financial statements shall be provided with the Annual Information no later than six (6) months following the end of each fiscal year, and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for

the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally

consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the heading: "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.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with New York State regulatory requirements or GAAP as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **November 16, 2023**.

SMITHTOWN CENTRAL SCHOOL DISTRICT

By _____
President of the Board of Education
and Chief Fiscal Officer