

Sachem State Of the District Finances

2007-2008 Budget (past)

Proper Budgeting

Monthly encumbrance update with end of year Fund Balance estimate

Estimated \$2.0 million surplus through a combination of under spending budget and over collecting revenue

Actual \$2.2 million, we were 99.95% accurate

Analysis of Liabilities and Fund Balances

Ten year history

Unreserved Fund Balance increased to 4%

Additional funding of compensated absences approximately \$1.9 million.

Increase four reserves for allocated interest over \$400,000 - Unemployment, Long Term Disability, Workers' Compensation and Compensated Absences.

Increased Appropriated Fund Balance from \$6.8 million to \$8.0 million, to stabilize taxes and maintain 0% increase.

Balance Sheet as of June 30, 2008

Reserve Analysis

We are not fully funded for all reserves. The total amount that reserves may be increased is \$8.7 million.

Management Letter

Full disclosure of R.S. Abrams Management Letter.

Extremely minor issues which will be addressed during the 2008/2009 school year, many have been implemented already. Drastic improvement with the extra-classroom accounts due to the oversight of District Treasurer and Internal Auditors.

Prior year findings, all implemented

Excellent Financial Operations



Sachem State Of the District Finances

2008-2009 Budget (present)

- 2008-2009 per pupil spending
 - Third lowest
- Sachem's reserves are approximately 4.6% of budget, average is 9.18% in Nassau and Suffolk counties.
 - Analysis of appropriated Fund Balance
 - stabilization of taxes
- 2008-2009 Tax increase
 - Maintain 0% increase
- Expenditures vs. approved Budget
 - 96.5 % accurate
- Percent of total reserves and Unappropriated Fund Balance.
 - A portion of these funds will be used for the Excel projects approved by community
- Tax rate vs. Budget increase
 - Budget relatively stable
- Sachem tax rate vs. Long Island five year history of tax rate percentage increase
- Establishment of 2008-2009 Tax Levy
 - \$1.8 million assessment reduction
 - 0% weighted tax rate increase, committed to community
 - No tax increase
- Tax rate calculation for three towns
- Ten year history of property tax rate increases
 - 4.7% average for Brookhaven and Islip
 - 3.5% average for Smithtown
 - This is the actual tax increase including STAR savings for average home in all three towns.
- Tax Anticipation Note Bid Results
 - \$36.6 million
 - Delayed borrowing date
 - 2.5% net interest rate
 - \$122 million bids received
- Standard & Poor's – credit rating upgrade



Sachem State Of the District Finances



Five year projection (future)

- We are showing four (4) tax projections using different State Aid revenues.
 - Three year average consumer price index is 3.13%. We used this indicator to increase State Aid for the next four years. We have calculated the resulting tax increase. The actual State Aid increase has historically been near CPI.
 - Maintained State Aid at the 2008-09 level for 2009-10 and future years were increased by average CPI of 3.13%.
 - State Aid reflects a \$3 million decrease from the 2008-09 level and for 2009-10 and future years were increased by average CPI of 3.13%.
 - State Aid reflects a \$7 million decrease from the 2008-09 level and for 2009-10 and future years were increased by average CPI of 3.13%.

State Aid for the EXCEL project and the Energy Performance Contract were included in these projections.

Sachem State Of the District Finances

Major Financial Factors Bearing on District's Future

- Actual contractual settlements
- 2008-09 State Aid and beyond
- Assessed valuations (we used lower value)
- Cost of utilities – natural gas, heating oil, fuel for vehicles
- Cost of benefits
- Capital projects
- Settlement of Lawsuit
- Credit rating upgraded
- Wall Street Bailout
- Unknown Interest Rates
- Greater number of retirees
- This list is a sampling of many issues.
- We will continue to provide conservative financial stewardship, acknowledged by all auditors and credit rating agencies.
- Our primary goal has been tax stabilization while providing outstanding educational opportunities.



Sachem State Of the District Finances

Sachem Central School District										
Analysis of Liabilities and Fund Balance										
		6/30/2008	6/30/2007	6/30/2006	6/30/2005	6/30/2004	6/30/2003	6/30/2002	6/30/2001	
Liabilities										
** Due to Teachers Retirement System		12,061,453	13,294,934	12,254,470	9,801,040	10,994,894	9,750,326	4,003,189	3,865,892	
** Due to Employees Retirement System		494,814	563,942	561,105	552,443	210,388	210,388			
Compensated Absences (sick days payable within 1 year)		211,903	1,020,398	764,069	537,526	537,526	3,075,445	4,838,186	5,618,140	
Retirees Health Insurance			0	0	0	1,636,176	4,636,176	4,636,175	2,023,392	
Fund Balance										
Reserve for Self-insurance										
	Unemployment	104,072	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
	Disability	292,444	281,000	281,000	281,000	281,000	281,000	281,000	281,000	281,000
	Workers' Compensation	7,470,118	7,177,802	5,506,619	1,500,000	1,500,000	1,500,000	1,200,000	700,000	
Reserve for Employee Benefits and Accrued Liabilities										
	(future compensated absences)	5,106,290	3,085,534	1,366,660	1,366,660	1,366,660	1,366,660			
	Unreserved, Unappropriated Fund Balance	11,176,040	8,220,237	5,333,108	4,787,342	2,027,255	3,245,501	3,969,830	3,921,161	
	Additional Appropriation October 2003						(1,665,000)			
	Additional Appropriation October 2004					(1,000,000)				
	Subtotal Unappropriated					1,027,255	1,580,501			
	Subtotal	36,917,134	33,743,847	26,167,031	18,926,011	17,653,899	22,500,496	19,028,380	16,509,585	
	Accounts Payable	1,915,110	1,793,355	1,743,957		110,248				
	Accrued Liabilities	382,090	4,550,696							
	Revenue Anticipation Note									
	Due to Other Funds	6,024	1,318,676	76,844	900			970,329		
	Due to Other Governments	241,073	348,769	10,756						
	Deferred Revenue	18,262	6,800	8,200					57,770	
	Reserve for Encumbrances				1,304,021	1,902,517	1,543,112	2,342,304	1,035,410	
	Designated for Subsequent Year	8,000,000	6,876,815	6,000,000		5,000,000	5,240,000	3,575,000	4,000,000	
	Grand Total	47,479,693	48,638,958	34,006,788	20,230,932	24,666,664	29,283,608	25,916,013	21,602,765	
** Effective June 30, 2005 required by GASB 34.										

Reserve Analysis

**Sachem CSD at Holbrook
Reserve Analysis
June 30, 2008**

Recommended levels to be fully funded for GASB 34

Compensated Absence

Total Liability		\$ 6,259,673
Reserve June 30, 2007	3,085,534	
Interest allocation 07/08	125,658	
Increase June 30, 2008	1,895,098	
Balance June 30, 2008	\$ 5,106,290	5,106,290
Unfunded June 30, 2008		\$ 1,153,383

Workers' Compensation

Total Liability		\$ 8,728,494
Reserve June 30, 2007	7,177,802	
Interest allocation 07/08	292,316	
Increase June 30, 2008	-	
Balance June 30, 2008	\$ 7,470,118	7,470,118
Unfunded June 30, 2008		\$ 1,258,376

Maximum reserves for cash and fund balance management

Long Term Disability

Maximum reserve (3 years expense)		\$ 653,184
Reserve June 30, 2007	\$ 281,000	
Interest allocation 07/08	11,444	
Balance June 30, 2008	\$ 292,444	292,444
Potential increase		\$ 360,740

Unemployment

Maximum reserve (3 years expense)		\$ 280,119
Reserve June 30, 2007	\$ 100,000	
Interest allocation 07/08	4,072	
Balance June 30, 2008	\$ 104,072	104,072
Potential increase		\$ 176,047

Employee Retirement Reserve

Maximum reserve (3 years expense)		\$ 5,799,618
Balance June 30, 2008	-	0
Potential Increase		\$ 5,799,618

Total Reserves \$ 12,972,924

Total amount that reserves may be increased \$ 8,748,164



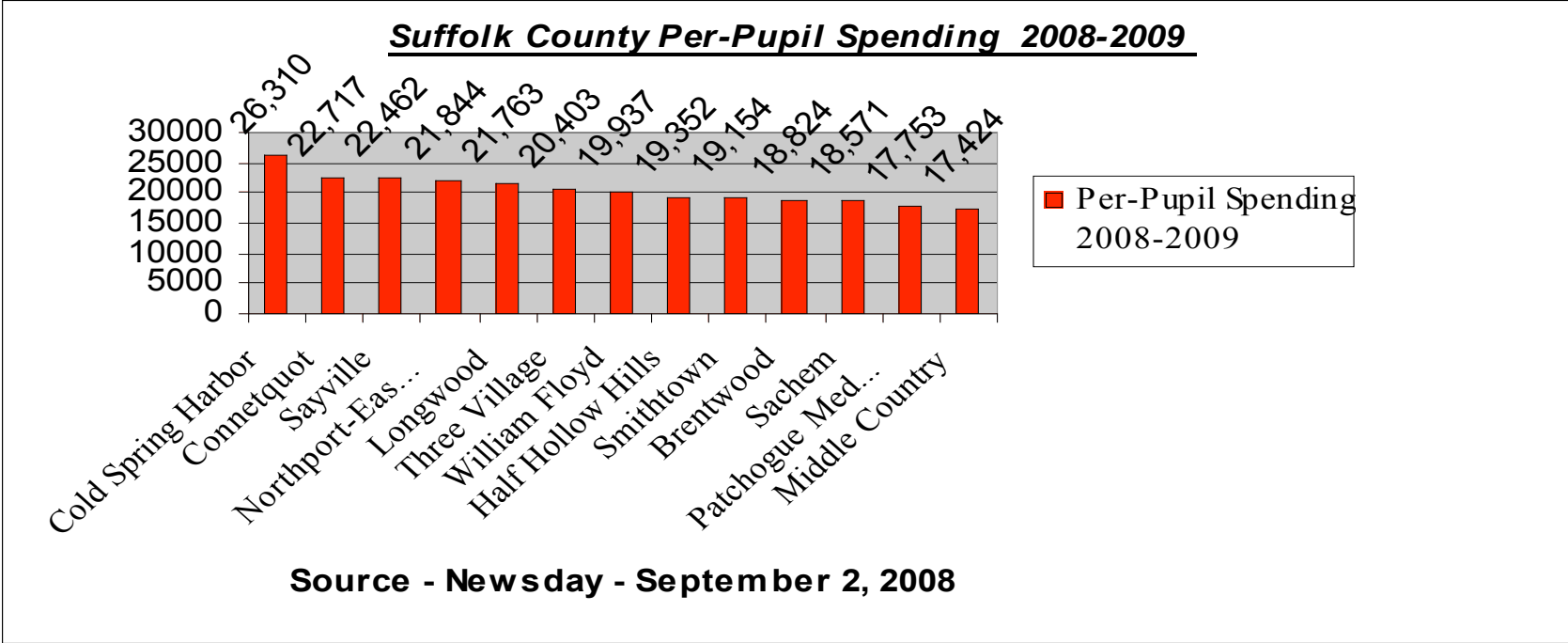
Sachem State Of the District Finances

Exhibit 4

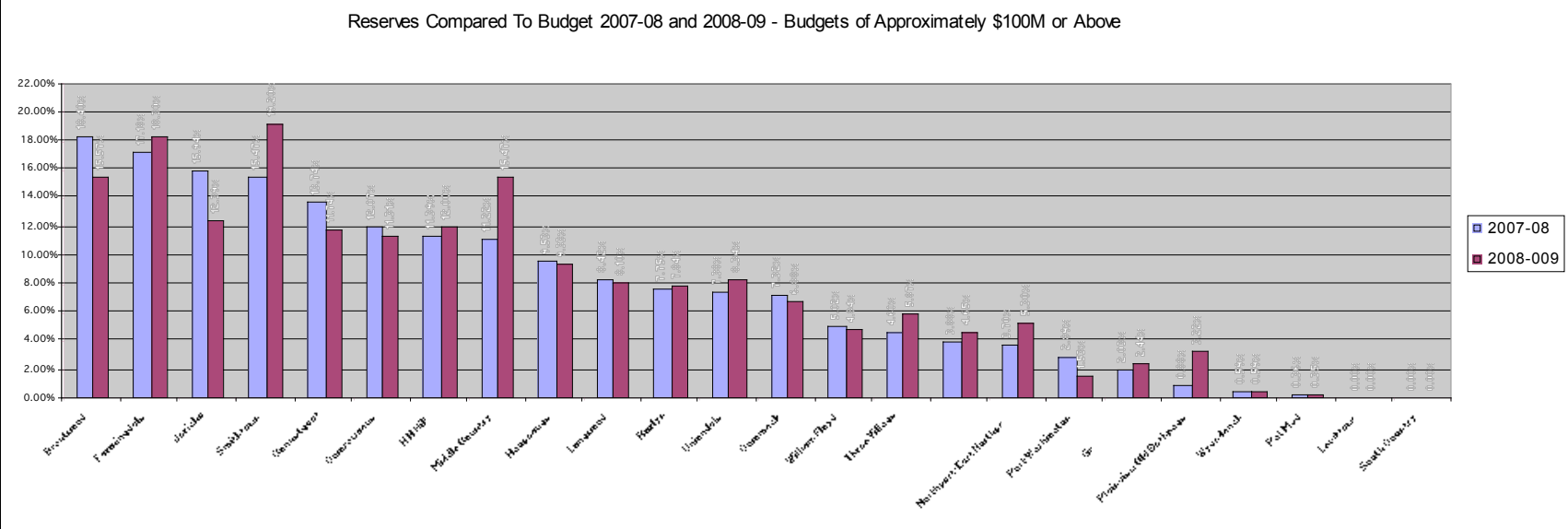
**SACHEM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$35,629,765	\$214,597	\$1,302,001		\$5,763,853	\$42,910,216
Restricted				\$223,916		223,916
Receivables						
State and Federal aid	7,093,587	3,057,348	216,376			10,367,311
Due from other funds	4,171,322			32,826		4,204,148
Due from other governments	585,019					585,019
Accounts receivable		37,778	17,685			55,463
Inventories			111,830			111,830
TOTAL ASSETS	<u>\$47,479,693</u>	<u>\$3,309,723</u>	<u>\$1,647,892</u>	<u>\$256,742</u>	<u>\$5,763,853</u>	<u>\$58,457,903</u>
 LIABILITIES AND FUND BALANCE						
Payables						
Accounts payable	\$1,915,110		\$11,040			\$1,926,150
Accrued liabilities	382,090		37,315			419,405
Due to other governments	241,074	\$13,172	3,759			258,005
Due to other funds	6,024	3,162,203			\$32,826	3,201,053
Due to teachers' retirement system	12,061,453					12,061,453
Due to employees' retirement system	494,813					494,813
Compensated absences	211,903					211,903
Deferred credits						
Deferred revenue	18,262	134,348	44,999			197,609
TOTAL LIABILITIES	<u>15,330,729</u>	<u>3,309,723</u>	<u>97,113</u>	<u>0</u>	<u>32,826</u>	<u>18,770,391</u>
 FUND BALANCE						
Reserve for Workers' Compensation	7,470,118					7,470,118
Reserve for Unemployment Insurance	104,072					104,072
Reserve for Long-term Disability	292,444					292,444
Reserve for Inventory			111,830			111,830
Reserve for Employee Benefit						
Accrued Liability	5,106,290					5,106,290
Unreserved-Designated for Subsequent						
Year's Expenditures	8,000,000			25,000		8,025,000
Unreserved-Undesignated	11,176,040	0	1,438,949	231,742	5,731,027	18,577,758
TOTAL FUND BALANCE	<u>32,148,964</u>	<u>0</u>	<u>1,550,779</u>	<u>256,742</u>	<u>5,731,027</u>	<u>39,687,512</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$47,479,693</u>	<u>\$3,309,723</u>	<u>\$1,647,892</u>	<u>\$256,742</u>	<u>\$5,763,853</u>	<u>\$58,457,903</u>

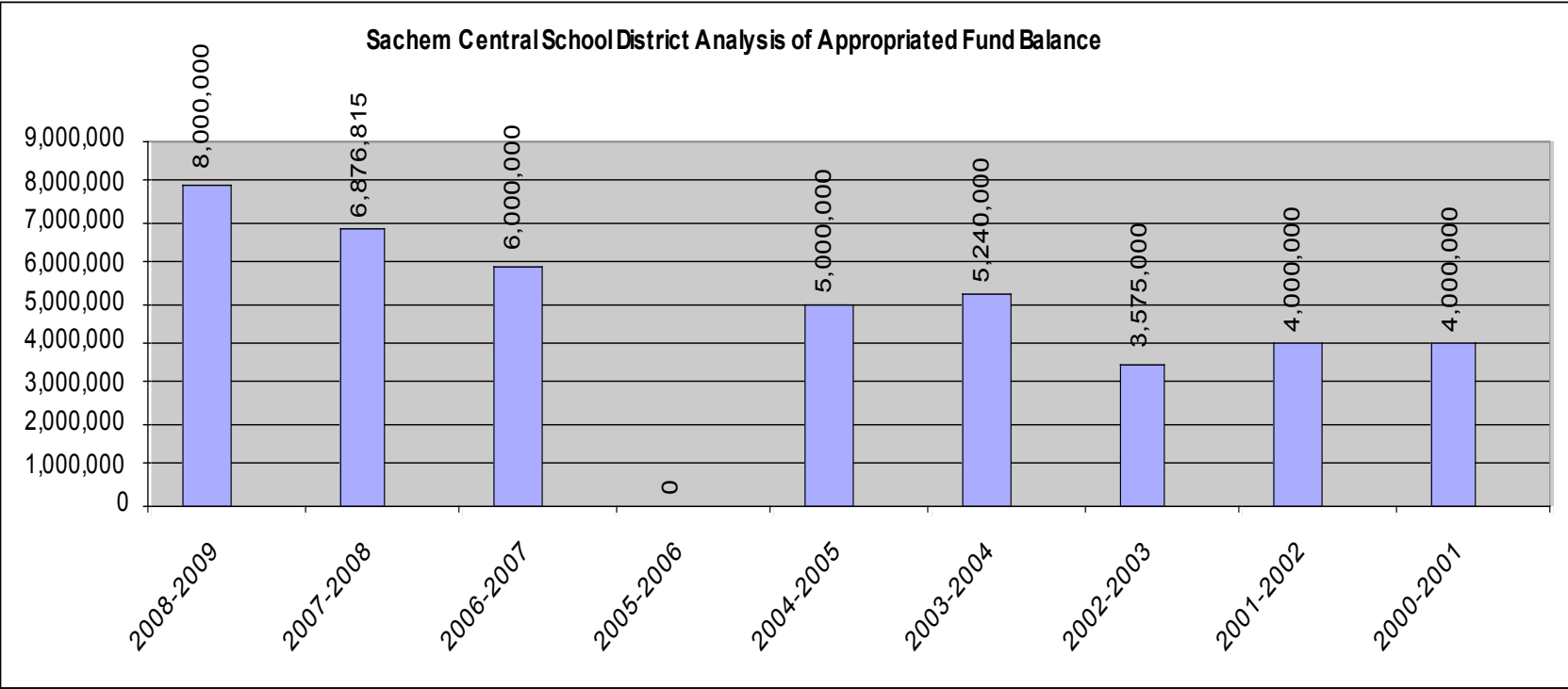
Sachem State Of the District Finances



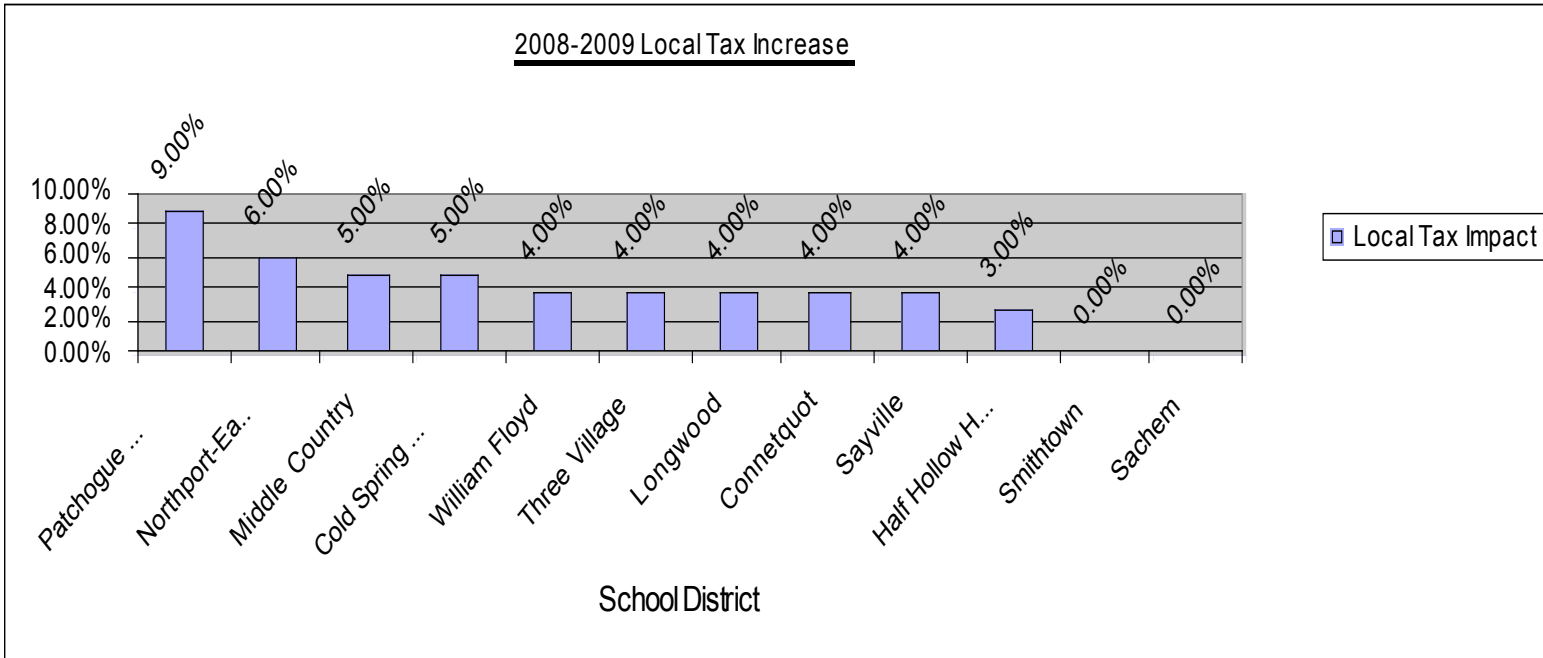
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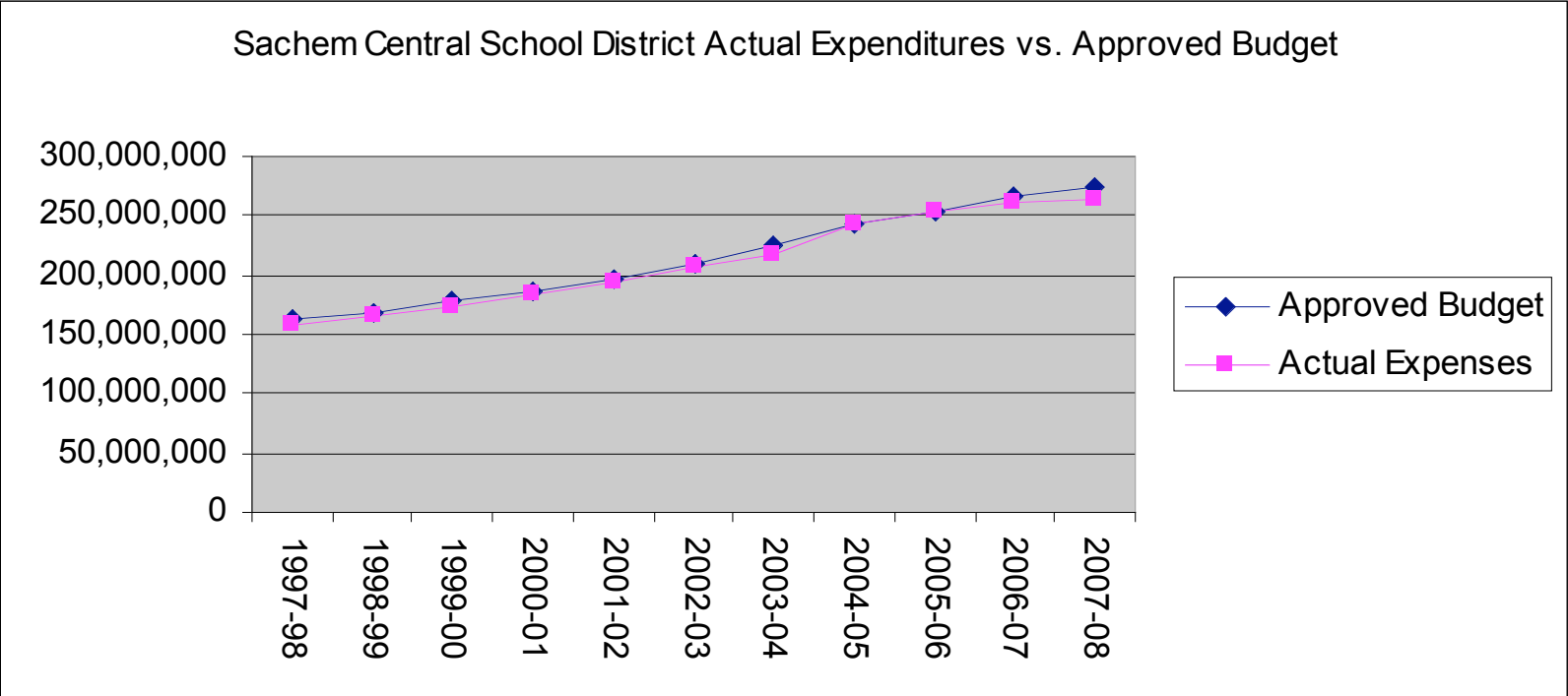
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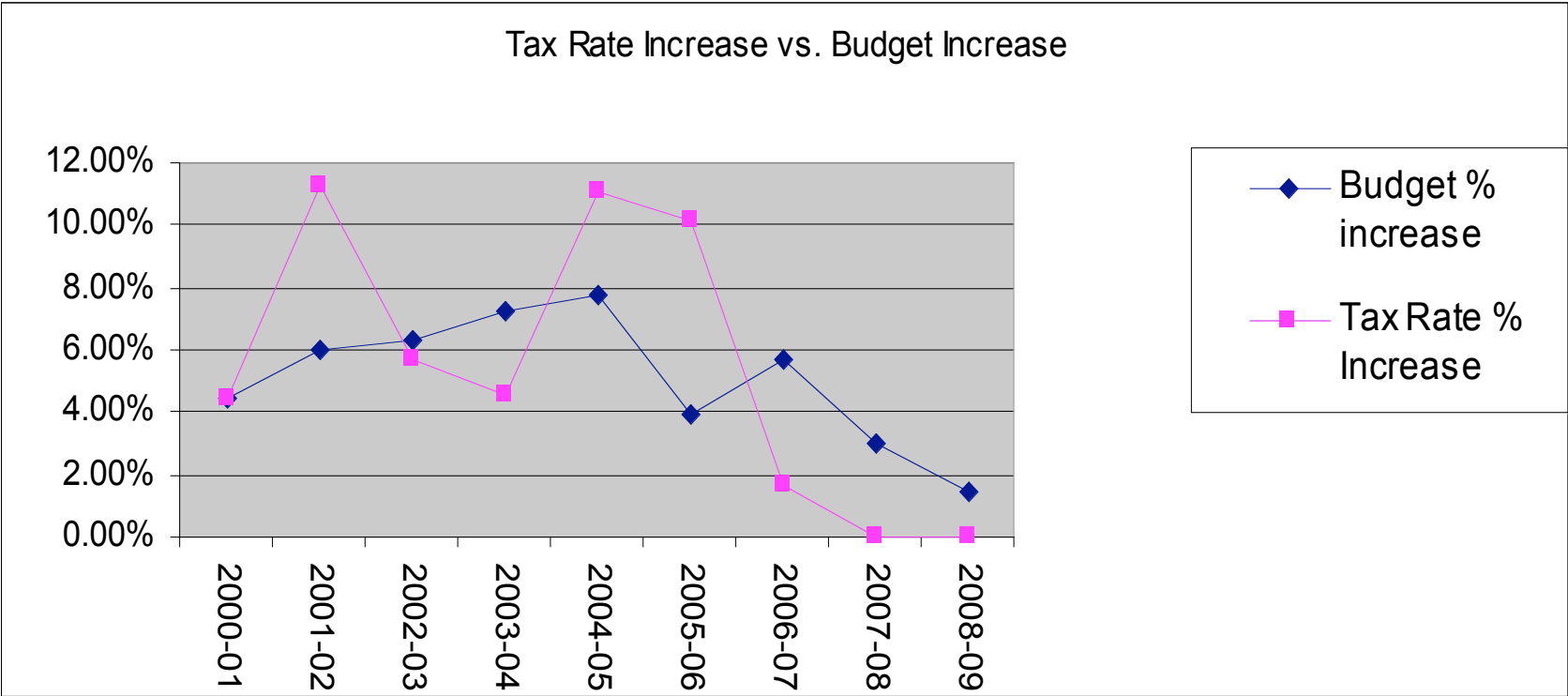
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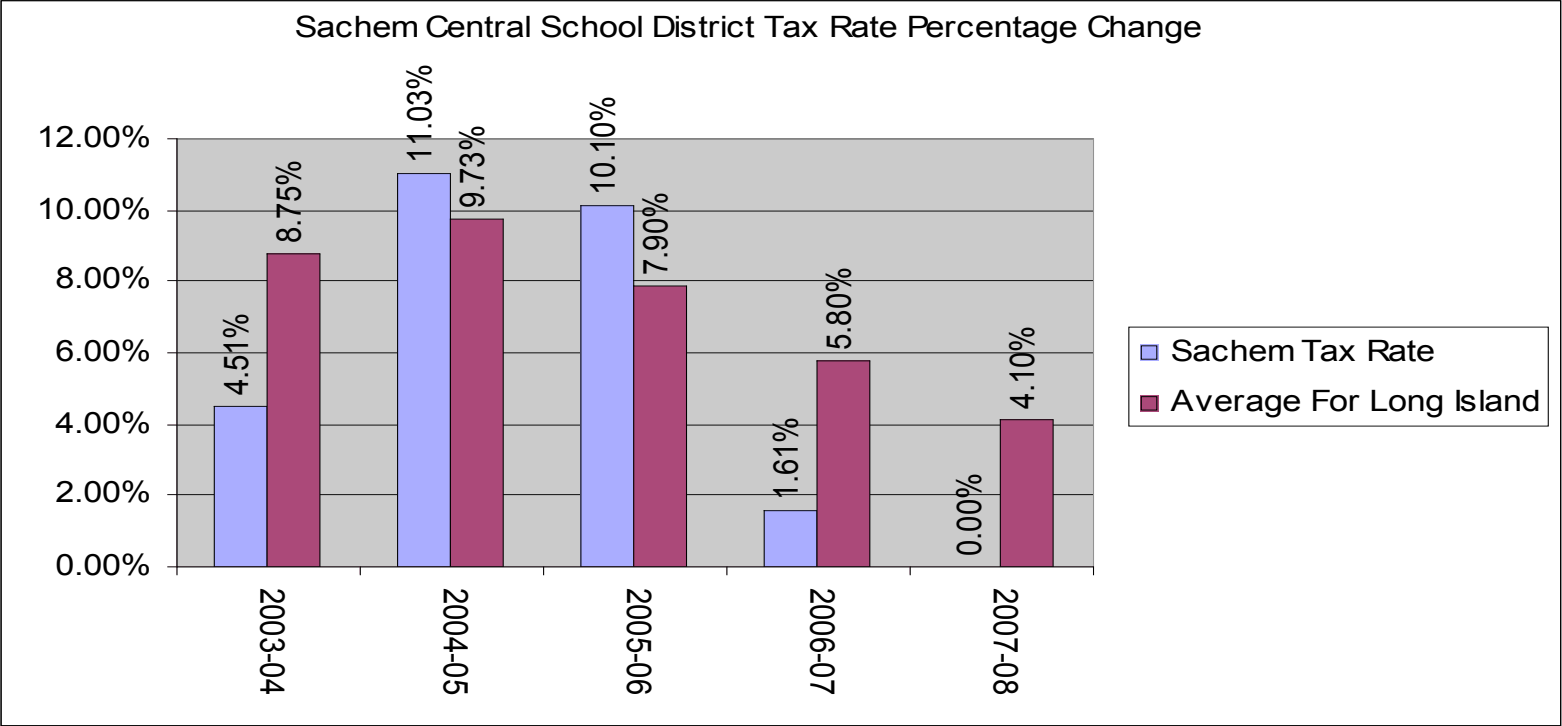
Sachem State Of the District Finances



Sachem State Of the District Finances



Sachem State Of the District Finances



TAXABLE ASSESSED VALUES

<u>Town</u>	<u>2008 -2009</u>	<u>2007 -2008</u>	<u>Difference</u>	<u>Percent</u>
Brookhaven	\$56,522,543	\$57,340,304	(\$817,761)	-1.43%
Islip	381,001,605	381,972,233	(\$970,628)	-0.25%
Smithtown	4,907,887	4,919,094	(\$11,207)	-0.23%
	<u>\$442,432,035</u>	<u>\$444,231,631</u>	<u>(\$1,799,596)</u>	<u>-0.41%</u>

TAX LEVY AND ESTIMATED TAX RATES

TAX LEVY

Budget:

Community Approved Budget for 2008-09	279,401,007
Board of Education adopts decrease to budget for UPK	<u>-599,400</u>
Revised 2008-2009 Budget	<u>\$278,801,607</u>

Revenue:

Total revenues other than real property taxes	\$124,189,228
Appropriated Fund Balance to reduce tax levy	8,000,000
Total real property tax levy to be raised for school use (2008-09)	<u>\$146,612,379</u>

Budgeted Tax Levy	\$148,172,379
Decrease	1,560,000

**SACHEM SCHOOL DISTRICT
PROJECTED TAX RATE CALCULATION SHEET
(SCHOOL DISTRICT ONLY) WITH UPDATED ASSESSMENTS
2008-2009**

<u>Assessed Valuation</u>	<u>Taxable</u>	<u>Total</u>	<u>Equalization Rates</u>
Brookhaven	56,522,543	57,298,466	0.0073
Islip	381,001,605	385,352,168	0.0964
Smithtown	4,907,887	4,994,203	0.0117
<u>True Value Assessments TVA</u>	<u>Taxable AV</u>	<u>Total Assessed Valuation</u>	<u>Proportion of Total</u>
Including Selected		<u>Equalization Rate</u>	
Partially Exempt			
Property			
Brookhaven	7,742,814,110	7,849,104,932	0.6395222151
Islip	3,952,298,807	3,997,429,129	0.3256988859
Smithtown	419,477,521	426,854,957	0.0347788990
Total	<u>12,114,590,438</u>	<u>12,273,389,017</u>	<u>1.0000000000</u>
<u>Tax Levy for School Purposes Only</u>		<u>Proportion of Total Times Total Tax Levy</u>	
Brookhaven		93,761,874	
Islip		47,751,488	
Smithtown		5,099,017	
Total		<u>146,612,379</u>	
	<u>2007-2008 Tax Rate/\$100</u>	<u>2008-2009 Tax Rate/\$100</u>	<u>Change for 2008-2009</u>
Brookhaven	\$ 168.30	\$ 165.88	\$ (2.42) -1.44%
Islip	\$ 12.17	\$ 12.53	\$ 0.36 2.98%
Smithtown	\$ 105.50	\$ 103.89	\$ (1.61) -1.52%
<u>WEIGHTED TAX RATE School Segment Only</u>	<u>% Change</u>	<u>Tax Rate Weightings</u>	<u>Weighted Change</u>
Brookhaven	-1.44%	0.6395222151	(0.9180418506)
Islip	2.98%	0.3256988859	0.9718676864
Smithtown	-1.52%	0.0347788990	(0.0529317061)
		<u>1.0000000000</u>	<u>0.0008941297</u>
% Change for 2008-2009			
Brookhaven	-1.44%		
Islip	2.98%		
Smithtown	-1.52%		
Total	0.00%		

10 Year Tax Analysis

Sachem Central School District Property Tax Rates per \$100 of Assessed Value

Town	Actual 1999-00	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05	Actual 2005-2006	Actual 2006-2007	Actual 2007-2008	Proposed 2008-2009	School Tax Rate Percentage Change
Brookhaven	104.27	108.67	120.12	126.83	135.56	149.59	167.08	169.14	168.30	165.88	-1.44%
Islip	7.81	8.18	9.21	9.76	9.68	10.93	11.71	12.04	12.17	12.53	2.98%
Smithtown	72.25	76.35	86.88	92.00	97.84	104.94	107.98	106.23	105.50	103.89	-1.52%

Tax Analysis Including Basic STAR

Property Value Assessments	Actual 1999-00	Actual 2000-01	Actual 2001-02	Actual 2002-03	Actual 2003-04	Actual 2004-05	Actual 2005-2006	Actual 2006-2007	Actual 2007-2008	Proposed 2008-2009	10 Year Average Actual Tax Increase
Brookhaven											
\$ 3,500											
School Taxes	\$ 3,649.45	\$ 3,803.45	\$ 4,204.20	\$ 4,439.07	\$ 4,744.60	\$ 5,235.65	\$ 5,847.80	\$ 5,919.90	\$ 5,890.50	\$ 5,805.94	
STAR Savings	\$ (281.53)	\$ (543.35)	\$ (864.86)	\$ (900.50)	\$ (921.81)	\$ (972.34)	\$ (1,035.90)	\$ (1,247.93)	\$ (942.48)	\$ (629.42)	
School Taxes Net of STAR	\$ 3,367.92	\$ 3,260.10	\$ 3,339.34	\$ 3,538.58	\$ 3,822.79	\$ 4,263.31	\$ 4,811.90	\$ 4,671.97	\$ 4,948.02	\$ 4,976.52	
Prior year % change net school taxes	(4.20%)	(3.20%)	2.43%	5.97%	8.03%	11.52%	12.87%	(2.91%)	5.91%	0.58%	4.78%
Islip											
\$ 40,000											
School Taxes	\$ 3,124.00	\$ 3,272.00	\$ 3,684.00	\$ 3,903.84	\$ 3,872.00	\$ 4,372.00	\$ 4,684.00	\$ 4,816.00	\$ 4,868.00	\$ 5,013.26	
STAR Savings	\$ (277.26)	\$ (542.33)	\$ (869.42)	\$ (900.81)	\$ (848.94)	\$ (911.56)	\$ (927.43)	\$ (1,155.41)	\$ (868.94)	\$ (605.88)	
School Taxes Net of STAR	\$ 2,846.75	\$ 2,729.67	\$ 2,814.58	\$ 3,003.03	\$ 3,023.06	\$ 3,460.44	\$ 3,756.57	\$ 3,660.59	\$ 3,999.06	\$ 4,207.38	
Prior year % change net school taxes	(2.24%)	(4.11%)	3.11%	6.70%	0.67%	14.47%	8.56%	(2.55%)	9.25%	5.21%	4.78%
Smithtown											
\$ 6,000											
School Taxes	\$ 4,335.00	\$ 4,581.00	\$ 5,212.80	\$ 5,519.75	\$ 5,870.40	\$ 6,296.40	\$ 6,478.80	\$ 6,373.80	\$ 6,330.00	\$ 6,233.66	
STAR Savings	\$ (274.55)	\$ (542.09)	\$ (868.80)	\$ (901.56)	\$ (919.70)	\$ (944.46)	\$ (928.63)	\$ (1,121.09)	\$ (822.90)	\$ (727.26)	
School Taxes Net of STAR	\$ 4,060.45	\$ 4,038.92	\$ 4,344.00	\$ 4,618.19	\$ 4,950.70	\$ 5,351.94	\$ 5,550.17	\$ 5,252.71	\$ 5,507.10	\$ 5,506.40	
Prior year % change net school taxes	(0.74%)	(0.53%)	7.55%	6.31%	7.20%	8.10%	3.70%	(5.36%)	4.84%	(0.01%)	3.56%

STAR savings is calculated by multiplying the STAR exempt amount by the tax rate and dividing by 100

	2007-08	2008-09
Basic STAR exempt value for Brookhaven	\$560	\$500
Basic STAR exempt value for Islip	7,140	6,430
Basic STAR exempt value for Smithtown	780	700

Tax Anticipation Note Results

SACHEM CENTRAL SCHOOL DISTRICT AT HOLBROOK, NEW YORK

\$36,600,000 Tax Anticipation Notes for 2008-2009 Taxes

SALE DATE: 25-Sep-08 FORM: BOOK-ENTRY-ONLY

RATING: S&P "AA+", SP1+

AMOUNT: \$36,600,000

OF DAYS: 263

BYD: \$26,738,333.33

BIDDERS: AMOUNT COUPON PREMIUM NIC

Flushing Commercial Bank \$1,000,000 2.200% \$0.00 2.2000%

Commerce Capital Markets, Inc. 36,600,000 3.500% 261,232.50 2.5230%

DEPFA First Albany Securities, LLC 36,600,000 3.500% 254,380.00 2.5486%

Capital One, N.A. 2,000,000 3.100% 0.00 3.1000%

Bank of America, N.A. 12,000,000 3.220% 0.00 3.2200%

Bank of America, N.A. 12,000,000 3.350% 0.00 3.3500%

Bank of America, N.A. 12,600,000 3.470% 0.00 3.4700%

Janney Montgomery Scott, LLC 10,000,000 5.000% 4,200.00 4.9425%

WINNER: AMOUNT COUPON PREMIUM NIC

Flushing Commercial Bank \$1,000,000 2.200% \$0.00 2.2000%

Commerce Capital Markets, Inc. 35,600,000 3.500% 254,095.00 2.5230%

\$36,600,000

NET INTEREST CALCULATION: AMOUNT COUPON INTEREST

Flushing Commercial Bank \$1,000,000 2.200% \$16,072.22

Commerce Capital Markets, Inc. 35,600,000 3.500% 910,272.22


TOTAL INTEREST DUE AT MATURITY \$926,344.44

LESS PREMIUM 254,095.00

NET INTEREST COST \$672,249.44

NET INTEREST RATE (AVERAGE) 2.5142%

Standard & Poor's Credit Rating Upgrade



STANDARD
& POOR'S

PUBLIC FINANCE

Sachem Central School District, New York

Primary Credit Analyst:
Jennifer L. Russo
New York
(1) 212-438-1994
jennifer_russo@standardandpoors.com

Secondary Credit Analyst:
Richard J. Marino
New York
(1) 212-438-2058
richard_marino@standardandpoors.com

**RatingDirect
Publication Date**
Sept. 26, 2008

Credit Profile		
US\$36.6 mil TANs 2008-2009 due 10/01/2008 due 06/26/2009		
Short Term Rating	St-1+	New
Sachem Cent Sch Dist GO		
Underlying Rating	AA-(SP)BBB+(Int)	Upgraded
Sachem Cent Sch Dist		
Underlying Rating	AA-(SP)BBB+(Int)	Upgraded
Sachem Cent Sch Dist GO		
Underlying Rating	AA-(SP)BBB+(Int)	Upgraded

Main issues are reflected by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its Standard & Poor's underlying rating (SPUR) on Sachem Central School District, N.Y.'s general obligation (GO) debt one notch to 'AA-' from 'A+' based on the district's positive financial trend over the past several years, replenishing reserves to strong levels, and solid economic base, characterized by very strong wealth indicators. The outlook is stable.

Standard & Poor's also assigned its St-1+ short-term rating to the district's series 2008-2009 tax anticipation notes (TANs).

In our opinion, the ratings also reflect the district's:

- Demonstrated market access and good debt service coverage on the TANs;
- Full faith and credit GO pledge as security;
- Primarily residential area that participates in the diverse Long Island, N.Y. regional economy;
- Strong property tax base growth;



Tax Impact Comparisons

State Aid Projections

	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13
<u>State Aid Increase 3.13%</u>	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13
Weighted Tax Rate Increase	0.00%	4.90%	2.98%	3.35%	3.72%
*Budget Increase	1.49%	2.87%	6.07%	2.91%	1.04%
State Aid No Increase From 2008-2009	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13
Weighted Tax Rate Increase	0.00%	7.42%	2.99%	3.34%	3.70%
*Budget Increase	1.49%	2.87%	6.07%	2.91%	1.04%
<u>State Aid Decrease \$3M in 2009-2010</u>	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13
Weighted Tax Rate Increase	0.00%	9.47%	2.99%	3.34%	3.69%
*Budget Increase	1.49%	2.87%	6.07%	2.91%	1.04%
State Aid Decrease \$7M in 2009-2010	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13
Weighted Tax Rate Increase	0.00%	12.20%	2.99%	3.33%	3.68%
*Budget Increase	1.49%	2.87%	6.07%	2.91%	1.04%

* If in the event the budget is defeated in the future, there would be no contingency cuts required because the projected budget to budget increases are less than 4% excluding debt service.