This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 1, 2017

REFUNDING SERIAL BONDS

BOOK-ENTRY-ONLY BONDS
RATING – MOODY'S: " "
See "Bond Rating", 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 imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the district, under existing statues, 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 provision of Section 265(b)(3) of the Code.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the "District")

$51,795,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017
(the "Bonds")

See Bond Maturity Schedule Herein

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 interest thereon and, 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.

The Bonds maturing on June 1, 2026 and thereafter are subject to redemption, prior to maturity, at the option of the District, on June 1, 2025, and thereafter on any date, in accordance with terms described herein. (See "*Optional Redemption*" under *"THE BONDS,"* herein.)

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. (See "*Book-Entry-Only System*" under "THE BONDS," herein.)

The Bonds are offered subject to approval by the State Comptroller of the Certificate of the President of the Board of Education of the District executed pursuant to Section 90.10(g) of the Local Finance Law.

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on December 12, 2017 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC on or about December 28, 2017 in New York, New York.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

December , 2017

*Preliminary, subject to change.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$51,795,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS - 2017

BOND MATURITY SCHEDULE

Dated: Date of Delivery

Principal Due: June 1, 2018-2030, inclusive
Interest Due: June 1, 2018, December 1, 2018 and semi-annually thereafter each year to maturity

Amount**	Maturity	Rate	Price or Yield	CUSIP #
$ 4,075,000	June 1, 2018			
4,035,000	June 1, 2019			
4,115,000	June 1, 2020			
4,190,000	June 1, 2021			
4,265,000	June 1, 2022			
4,345,000	June 1, 2023			
4,425,000	June 1, 2024			
4,520,000	June 1, 2025			
4,620,000	June 1, 2026***			
4,725,000	June 1, 2027***			
4,865,000	June 1, 2028***			
2,580,000	June 1, 2029***			
1,035,000	June 1, 2030***			

*Preliminary, subject to change

**Amounts are subject to adjustment by the District following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 9(c)(2) of the Local Finance Law and to effectuate the District's plan of refunding.

***Amounts are subject to optional redemption, prior to maturity. (See "Optional Redemption" herein).

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

4 Long Lane
East Hampton, New York 11937
Telephone: 631/329-4100
Fax: 631/329-7550

BOARD OF EDUCATION

James P. Foster, President

Christine DeSanti
Wendy Geehreng
Jacqueline Lowey
Elizabeth Pucci
John J. Ryan, Sr.
Richard C. Wilson

Superintendent of Schools
Richard J. Burns

Assistant Superintendent for Business
Isabel Madison

District Clerk
Kerri S. Stevens

District Treasurer
Deirdre Herzog

School District Attorney
Frazer & Feldman

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

TABLE OF CONTENTS

Page

THE BONDS **1**

DESCRIPTION OF THE BONDS 1
OPTIONAL REDEMPTION 1
DESCRIPTION OF BOOK-ENTRY SYSTEM 2
CERTIFICATED BONDS 3
AUTHORIZATION AND PURPOSE 4
SUMMARY OF REFUNDED BONDS 4
REFUNDING FINANCIAL PLAN 5
SOURCES AND USES OF BOND PROCEEDS 6
SECURITY AND SOURCE OF PAYMENT 6

REMEDIES UPON DEFAULT **6**

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS **8**

NO PAST DUE DEBT **8**

BANKRUPTCY **8**

THE DISTRICT **9**

DESCRIPTION 9
DISTRICT ORGANIZATION 9
ENROLLMENT HISTORY 10
PROJECTED FUTURE ENROLLMENT 10
DISTRICT FACILITIES 10
EMPLOYEES 10

ECONOMIC AND DEMOGRAPHIC INFORMATION **11**

POPULATION TRENDS 11
INCOME DATA 11
UNEMPLOYMENT RATE STATISTICS 12

INDEBTEDNESS OF THE DISTRICT **12**

CONSTITUTIONAL AND STATUTORY REQUIREMENTS 12
STATUTORY PROCEDURE 13
COMPUTATION OF DEBT LIMIT AND DEBT CONTRACTING MARGIN 14
DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING 14
TREND OF OUTSTANDING INDEBTEDNESS 14
DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS 15
TAX ANTICIPATION NOTES 15
AUTHORIZED AND UNISSUED DEBT 15
CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS 16
DEBT RATIOS 16

TABLE OF CONTENTS - CONTINUED

Page

FINANCES OF THE DISTRICT **16**

INDEPENDENT AUDIT 16
FUND STRUCTURE AND ACCOUNTS 17
BASIS OF ACCOUNTING 17
BUDGET PROCESS 17
REVENUES 17
Real Property Taxes 18
State Aid 18
RECENT EVENTS AFFECTING STATE AID TO NEW YORK SCHOOL DISTRICTS 19
EXPENDITURES 20
THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS 20
EMPLOYEE PENSION SYSTEM 21
OTHER POST-EMPLOYMENT BENEFITS 22

TAX INFORMATION **23**

REAL PROPERTY TAXES 23
TAX COLLECTION PROCEDURE 24
THE TAX LEVY LIMIT LAW 24
STAR - SCHOOL TAX EXEMPTION 25
VALUATIONS, RATES LEVIES AND COLLECTIONS 26
SELECTED LISTING OF LARGE TAXABLE PROPERTIES 26

LITIGATION **27**

BONDHOLDERS RISKS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE **27**

TAX MATTERS **28**

OPINION OF BOND COUNSEL 28
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND CERTIFICATIONS 29
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES 29
ORIGINAL ISSUE DISCOUNT 29
BOND PREMIUM 30
INFORMATION REPORTING AND BACKUP WITHHOLDING 30
MISCELLANEOUS 30

LEGAL MATTERS **31**

DISCLOSURE UNDERTAKING **31**

PRIOR COMPLIANCE HISTORY 31

RATING **31**

VERIFICATION OF MATHEMATICAL COMPUTATIONS **31**

MUNICIPAL ADVISOR **32**

ADDITIONAL INFORMATION **32**

APPENDIX A: FINANCIAL INFORMATION
APPENDIX B: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017
APPENDIX C: FORM OF APPROVING OPINION OF BOND COUNSEL
APPENDIX D: FORM OF CONTINUING DISCLOSURE AGREEMENT

OFFICIAL STATEMENT

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$51,795,000* SCHOOL DISTRICT REFUNDING SERIAL BONDS – 2017

[BOOK–ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the East Hampton Union Free School District, in the County of Suffolk, in the State of New York (the "District" and "State," respectively) in connection with the sale of $51,795,000* School District Refunding Serial Bonds - 2017 (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 and 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 mature on June 1 in each of the years 2018 to 2030, inclusive, in the principal amounts as set forth on the inside cover page hereof. Interest on the Bonds will be payable on June 1, 2018, December 1, 2018, and semi-annually thereafter on June 1 and December 1 in each year to maturity.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. DTC will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made in denominations of $5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. Payment of the principal of and interest on the Bonds will be made by the District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. (See "*Book-Entry-Only System*" under "THE BONDS," herein.)

The Record Date of the Bonds will be the last business day of the month preceding each interest payment date.

The District will act as Paying Agent for the Bonds. The District's contact information is as follows: Isabel Madison, Assistant Superintendent for Business, East Hampton Union Free School District, 4 Long Lane, East Hampton, NY 11937, Phone (631) 329-4100, Fax (631) 329-7550 and email: Isabel.madison@ehufsd.org.

Optional Redemption

The Bonds maturing on or before June 1, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on June 1, 2026 and thereafter, will be subject to redemption, at the option of the District, prior to maturity, 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), on any date on or after June 1, 2025, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption.

If less than all of any of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the District by lot in any customary manner of selection as determined by the District. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such 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 for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

*Preliminary, subject to change

Description of Book-Entry System

DTC will act as securities depository for the Bonds. Such Bonds will be issued as fully-registered securities, 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 deposited with DTC.

DTC is 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 facilities 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 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" and together with Direct Participant, the "Participants"). Effective August 9, 2011, Standard & Poor's assigns a rating of "AA+" to DTC. 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 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 or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that u se 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 affect 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 accounts 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.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them or notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 Issuer 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 District on the 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 (nor its nominee) 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the District takes no responsibility for the accuracy thereof. In addition, the District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, and a replacement book-entry securities depository is not appointed, the Bonds will be issued in registered form in denominations of $5,000, or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the President of the Board authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law, and the refunding bond resolution duly adopted by the Board of Education of the District on November 21, 2017 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the School District Serial Bonds – 2008 (the "2008 Bonds"), maturing in each of the years 2018 to 2028, all or a part of the School District Serial Bonds – 2009 (the "2009 Bonds"), maturing in each of the years 2018 to 2029, inclusive, and all or part of the School District Serial Bonds – 2010 (the "2010 Bonds" and together with the 2008 Bonds and the 2009 Bonds, the "Refunded Bonds") maturing in each of the years 2018-2030, inclusive. The Refunded Bonds were originally issued in the principal amounts of $34,700,000, $25,000,000 and $17,530,618, respectively.

Summary of Refunded Bonds*
(the "Refunded Bonds")

2008 Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
06/15/2018	$1,650,000	4.000	-	-	272718DU8
06/15/2019	1,720,000	4.000	06/15/2018	100.00	272718DV6
06/15/2020	1,795,000	4.000	06/15/2018	100.00	272718DW4
06/15/2021	1,870,000	4.000	06/15/2018	100.00	272718DX2
06/15/2022	1,950,000	4.000	06/15/2018	100.00	272718DY0
06/15/2023	2,035,000	4.000	06/15/2018	100.00	272718DZ7
06/15/2024	2,120,000	4.000	06/15/2018	100.00	272718EA1
06/15/2025	2,210,000	4.000	06/15/2018	100.00	272718EB9
06/15/2026	2,305,000	4.125	06/15/2018	100.00	272718EC7
06/15/2027	2,400,000	4.125	06/15/2018	100.00	272718ED5
06/15/2028	2,505,000	4.125	06/15/2018	100.00	272718EE3
Total	$22,560,000				

2009 Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
06/15/2018	$1,130,000	3.125	-	-	272718EQ6
06/15/2019	1,165,000	3.250	-	-	272718ER4
06/15/2020	1,200,000	3.500	06/15/2019	100.00	272718ES2
06/15/2021	1,240,000	4.000	06/15/2019	100.00	272718ET0
06/15/2022	1,285,000	4.000	06/15/2019	100.00	272718EU7
06/15/2023	1,330,000	4.000	06/15/2019	100.00	272718EV5
06/15/2024	1,375,000	4.000	06/15/2019	100.00	272718EW3
06/15/2025	1,425,000	4.250	06/15/2019	100.00	272718EX1
06/15/2026	1,480,000	4.250	06/15/2019	100.00	272718EY9
06/15/2027	1,535,000	4.250	06/15/2019	100.00	272718EZ6
06/15/2028	1,595,000	4.250	06/15/2019	100.00	272718FA0
06/15/2029	1,650,000	4.250	06/15/2019	100.00	272718FB8
Total	$16,410,000				

*Preliminary, subject to change.

2010 Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
06/01/2018	$ 785,000	4.000	-	-	272718FL6
06/01/2019	810,000	4.000	06/01/2018	100.00	272718FM4
06/01/2020	840,000	4.000	06/01/2018	100.00	272718FN2
06/01/2021	865,000	4.000	06/01/2018	100.00	272718FP7
06/01/2022	895,000	4.000	06/01/2018	100.00	272718FQ5
06/01/2023	925,000	4.000	06/01/2018	100.00	272718FR3
06/01/2024	960,000	4.000	06/01/2018	100.00	272718FS1
06/01/2025	1,000,000	4.000	06/01/2018	100.00	272718FT9
06/01/2026	1,035,000	4.000	06/01/2018	100.00	272718FU6
06/01/2027	1,080,000	4.000	06/01/2018	100.00	272718FV4
06/01/2028	1,125,000	4.000	06/01/2018	100.00	272718FW2
06/01/2029	1,170,000	4.000	06/01/2018	100.00	272718FX0
06/01/2030	1,215,000	4.000	06/01/2018	100.00	272718FY8
Total	$12,705,000				

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of all or a portion of the Refunded Bonds.

For further information regarding bond authorizations of the District for capital purposes and other matters relating thereto. (See "*Indebtedness of the District,*" herein.)

Refunding Financial Plan

Pursuant to the District's Refunding Financial Plan, as referred to in the Refunding Bond Resolution, the Bonds are being issued to effect the refunding of the Refunded Bonds maturing on their principal payment dates as set forth. The Refunding Financial Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present-value debt service savings.

The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds), will be used to purchase non–callable, direct obligations of or obligations guaranteed by the United States of America (the "Government Obligations") which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the "Escrow Fund") to be held by The Bank of New York Mellon (the "Escrow Holder"), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the District and the Escrow Holder, dated as of the delivery date of the Bonds (the "Escrow Contract"). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premiums, if any, of the Refunded Bonds on the dates of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond resolution of the District and Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all cash on deposit in the Escrow Fund. Upon payment by the Escrow Holder to the fiscal agent for the Refunded Bonds of amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds to be paid from the Escrow Fund, including interest and redemption premium, if any, payable with respect thereto, and payment of all expenses incidental to the issuance of the Bonds, such Escrow Contract shall terminate.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from *ad valorem* taxes on all taxable real property in the District. However, inasmuch as the funds held in the Escrow Fund together with interest earnings thereon and cash held in the Escrow Fund shall be sufficient to meet all required payments of principal of, and interest on the Refunded Bonds, it is not anticipated that other sources of payment will be utilized.

The New York State Local Finance Law provides that upon placement in escrow of proceeds of the Refunding Bonds sufficient to provide for the payment of the principal and interest of the bonds to be refinanced by such refunding bonds the refunded bonds are no longer counted in computing the District's debt for statutory debt limitations purposes.

Sources and Uses of Bond Proceeds

Sources:	
Par Amount of Bonds	$
Original Issue Premium/Discount	
Total	$
Uses:	
Escrow Deposit	$
Underwriter's Discount	
Allowance for Costs of Issuance and Contingency	
Total	$

Security and Source of Payment

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

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest thereon. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property in the District subject to taxation 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 therefor. Chapter 97 of the New York Laws of 2011, as amended, (the "Tax Levy Limit Law") imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy above a certain specified amount. However, the Tax Levy Limit Law expressly provides an exception from the annual tax levy limitation for any taxes levied to pay 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 refinance bonds issued to finance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law annual tax levy limitation. (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 owner 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.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

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.

Such 99-b of the SFL is applicable to the Bonds.

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.

THE DISTRICT

Description

The District is located in the southeastern section of Suffolk County, approximately 100 miles from New York City. The District lies wholly in the Town of East Hampton (the "Town") and includes the Village of East Hampton (the "Village") within its boundaries. The District has a land area of approximately 39 square miles and a current estimated population of 8,000.

The District provides educational services for grades K-12 to District residents. In addition, the District educates students for grades 9-12 on a tuition basis from the Sagaponack, Wainscott, Springs, Amagansett and Montauk School Districts.

The District is an affluent residential community made up of mostly single-family dwellings. According to the 2015 U.S. Census, median housing values for the Town and Village are well above County, State and U.S. averages.

The District is a popular summer resort area. With the Atlantic Ocean being the southern boundary of the District and Gardiners Bay and Three Mile Harbor being the northern boundaries, residents and vacationers are afforded numerous recreational facilities including fishing, swimming and boating. County parks provide picnicking and camping activities and two golf clubs are also located within the District boundaries. The "downtown" section of the District is an active shopping area with many exclusive boutiques and restaurants which attract patrons from neighboring communities.

Rail transportation is provided by the Long Island Railroad, with a station located in the Town. Highways include New York State Route 27 and various County and Town roads. The Hampton Jitney provides bus transportation to surrounding communities and to New York City.

District residents are provided gas and electric through PSEG Long Island and KeySpan Energy Delivery. Water is furnished by the Suffolk County Water Authority or by individual wells. Fire protection is furnished by local volunteer fire departments and police protection is provided by the Village, the Town, and the Suffolk County Police Department.

District Organization

The District is an independent entity governed by an elected board of education comprised of seven members. District operations are subject to the provisions of the Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held on the third Tuesday in May). The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A President is selected by the Board of Education from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Business.

Enrollment History

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

School Year	School Enrollment
2013	1,845
2014	1,888
2015	1,886
2016	1,795
2017	1,828

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

School Year	School Enrollment
2018	1,902

Source: District Officials.

District Facilities

The District operates three schools and offices; statistics relating to each are shown below.

Name of School	Grades	Year Built	Capacity
East Hampton High School	9-12	1972	1,200
East Hampton Middle School	6-8	1929	470
East Hampton Elementary School	K-5	1960	600

Employees

The District provides services through approximately 363 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract	Approx. No. of Members
East Hampton Teachers Assoc., East Hampton School Nurses	06/30/2019	222
East Hampton Non-Teachers Employees' Assoc.	06/30/2020	128
East Hampton Administrator's Assoc.	06/30/2020	13

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Village, the Town and the County.

Year	Village of East Hampton	Town of East Hampton	Suffolk County
1980	1,886	14,029	1,284,231
1990	1,402	16,132	1,321,864
2000	1,334	19,719	1,419,369
2010	1,083	21,457	1,493,350
2015	1,148	21,844	1,501,373

Source: Long Island Power Authority and U.S. Bureau of the Census.

Income Data

Income Data is not available for the District as such. The smallest area for which such statistics are available (which includes part of the District) is the Town of East Hampton. The information set forth below with respect to such Town, County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Town, County or the State or vice versa

	Per Capita Money Income			
	1990	2000	2010	2015[a]
Town of East Hampton	$24,285	$31,300	$51,823	$56,135
County of Suffolk	18,481	26,577	35,411	37,634
State of New York	16,501	23,389	30,791	33,236

	Median Household Income			
	1990	2000	2010	2015[a]
Town of East Hampton	$45,106	$60,743	$72,803	$81,715
County of Suffolk	49,128	65,288	84,506	88,663
State of New York	32,965	43,393	55,603	59,269

Source: United States Bureau of the Census
a. Note: Based on American Community Survey 5-Year Estimate (2011-2015).

Unemployment Rate Statistics

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

Annual Averages:	Suffolk County (%)	New York State (%)
2012	7.8	8.6
2013	6.5	7.7
2014	5.3	6.4
2015	4.9	5.5
2016	4.3	4.8
2017 (9 Month Average)	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds:

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 in the alternative the weighted average maturity of the several objects or purposes contracted and thereof; 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. (See *"The Tax Levy Limit Law"* herein).

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional 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 until the plans and specifications 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, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District expects to comply with such procedure prior to the issuance of the Bonds.

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 school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by 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 Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of December 1, 2017)

In Town of:	Assessed Valuation	State Equalization Rate	Full Valuation
East Hampton (2016-2017)[a]	$93,858,639	0.59%	$15,908,243,898
Debt Limit - 10% of Full Valuation			$1,590,824,390
Inclusions: [b]			
Outstanding Bonds			$51,675,000
Bond Anticipation Notes			0
Total Indebtedness			51,675,000
Exclusions (Estimated Building Aid) [c]			5,167,500
Total Net Indebtedness			46,507,500
Net Debt Contracting Margin			$1,544,316,890
Per Cent of Debt Contracting Margin Exhausted			2.92%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has tax anticipation notes outstanding in the amount of $14,000,000, which mature June 27, 2018. Such note is expected to be paid with the receipt of the District's tax levy for the current fiscal year.

Trend of Outstanding Indebtedness
As at June 30:

	2013	2014	2015	2016	2017
Bonds	$64,750,000	$61,650,000	$58,445,000	$55,120,000	$51,675,000
BANs	-	-	-	-	-
Other	-	-	-	-	-
Total	$64,750,000	$61,650,000	$58,445,000	$55,120,000	$51,675,000

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	$3,565,000	$2,070,600	$5,635,600
2019	3,695,000	1,937,888	5,632,888
2020	3,835,000	1,798,825	5,633,825
2021	3,975,000	1,651,426	5,626,426
2022	4,130,000	1,492,425	5,622,425
2023	4,290,000	1,327,226	5,617,226
2024	4,455,000	1,155,625	5,610,625
2025	4,635,000	977,426	5,612,426
2026	4,820,000	788,462	5,608,462
2027	5,015,000	589,081	5,604,081
2028	5,225,000	381,644	5,606,644
2029	2,820,000	165,525	2,985,525
2030	1,215,000	48,600	1,263,600
Totals	$51,675,000	$14,384,753	$66,059,753

Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax payments. The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2014	$10,000,000	TAN	10/08/2013	06/26/2014
2015	12,500,000	TAN	10/23/2014	06/25/2015
2016	13,500,000	TAN	11/10/2015	06/28/2016
2017	13,800,000	TAN	11/15/2016	06/27/2017
2018	14,000,000	TAN	11/08/2017	06/27/2018

Authorized and Unissued Debt

The District has no authorized but unissued debt outstanding. The District is in the preliminary stages of planning district-wide energy performance upgrades and the construction of a bus garage. The amounts of such improvements and the date of borrowing has yet to be determined.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/08/2017	4.10	$92,541,335	$53,755,136
Town of East Hampton	08/07/2017	47.30	45,897,679	44,657,974
Village of East Hampton	07/31/2016	100.00	6,635,000	7,485,000
Totals			$145,074,014	$105,898,110

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios
(As of December 1, 2017)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$51,675,000	$6,459	0.325
Net Direct Debt	46,507,500	5,813	0.292
Total Direct & Applicable Total Overlapping Debt	196,749,014	24,594	1.237
Net Direct & Applicable Net Overlapping Debt	152,405,610	19,051	0.958

a. The current population of the District is 8,000.
b. The full valuation of taxable property is $15,908,243,898.

FINANCES OF THE DISTRICT

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2017. A copy of such report is included herein as Appendix B.

Pursuant to State law, including Sections 10 and 11 of 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, itself; (5) certificates of participation issued in connection with installment purchase agreements 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 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 obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by 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.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

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

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Source: Audited Financials of the District.

Budget Process

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 Levy Limit Law*" herein). On May 16, 2017, a majority of the voters of the District approved the District's budget for the 2017-2018 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2016-2017 and 2017-2018 may be found in Appendix A, herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See *"Tax Information"* herein.

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 the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2013 through 2017, and the 2018 budget.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2013	$61,278,730	$2,259,197	3.69
2014	63,637,593	2,896,966	4.55
2015	64,048,000	2,791,281	4.36
2016	65,713,774	2,739,898	4.17
2017	66,564,766	3,161,380	4.75
2018 (Budgeted)[a]	68,306,098	3,223,799	4.72

a. Budgeted revenues include the application of reserves and fund balance.

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).

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 could be affected by a delay in the adoption of the State budget or 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.

Potential reductions in Federal aid received by the State. The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

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 new 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.

Litigation regarding apportionment of State aid. In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *NYSER* v. *State of New York* has been filed recently on behalf of the State's public-school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE* v. *State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years.

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

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of $936.6 million in State aid for school districts.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The Enacted 2014-2015 State Budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the state aid increase. The Enacted 2014-2015 State Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The Enacted 2014-2015 State Budget invested $1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of $1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The Enacted 2016-2017 State Budget included a school aid increase of $991 million over 2015-2016, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the Enacted 2016-2017 State Budget included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase ($100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The Enacted 2017-2018 State Budget provides for school aid of approximately $25.8 billion, an increase of $1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The Enacted 2017-18 State Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans. In addition, the Enacted 2017-2018 State Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by $850 million or more, the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

The State provides annual State aid to school districts in the State, including the District, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA was a negative number (funds that were deducted from the State aid originally due to the District under State aid formulas). The District's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the Enacted 2016-2017 State Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act 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 enhance learning and opportunity for students throughout the State. The District's estimated allocation of funds is $273,186.

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 and during the District's 2017-2018 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Market Factors Affecting Financings of the State and School Districts of the State*").

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC 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 has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts 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 ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). 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 OSC designates the District as "No Designation" (Fiscal Score: 10.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on December 30, 2016. The purpose of the audit was to evaluate the District's controls over user access to the financial software for the period of July 1, 2014 through March 31, 2016. The complete report, along with the District's response, may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

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. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. Such ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 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 will occur after 10 years; the time period for calculation of final average salary is increased from three years to 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. It 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.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, in Spring 2013, the State and TRS approved a Stable Contribution Option ("SCO") that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates ("ARCs"). ERS followed suit and modified its existing ERS SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The primary purpose of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with assistance in its ability to create a fiscal plan. However, although such programs provide relief in the short-term deferring retirement contributions may result in increased interest expensive over time. The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the budgeted amount for the fiscal year 2018.

Fiscal Year Ending June 30:	TRS	ERS
2013	$2,881,376	$1,477,371
2014	3,983,890	1,447,634
2015	4,421,539	1,388,948
2016	3,447,246	1,234,813
2017	3,032,859	1,143,814
2018 (Budgeted)	2,989,397	1,259,879

Source: Audited Financial Statements.

Other Post-Employment Benefits

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

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation	Fiscal Year Ending June 30, 2017:
Annual required contribution (ARC)	$4,620,216
Interest on net OPEB obligation	1,250,401
Less: Adjustments to ARC	(936,665)
Annual OPEB cost (expense)	4,933,952
Less: Contributions made	(1,968,883)
Increase in net OPEB obligation	2,965,069
Net OPEB obligation-beginning of year	25,008,022
Net OPEB obligation-end of year	$27,973,091

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed (%)	Net OPEB Obligation
June 30, 2017	$4,933,952	40.0	$2,965,069
June 30, 2016	4,607,692	37.0	2,882,582
June 30, 2015	4,367,163	37.0	2,772,440

The OSC has proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to 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. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of East Hampton. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations. (However, See "*The Tax Levy Limit Law*" herein).

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2013 through 2017, and for the 2018 budget.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2013	$61,278,730	$44,169,741	72.08
2014	63,637,593	46,389,929	72.90
2015	64,048,000	47,540,036	74.23
2016	65,713,774	48,321,232	73.53
2017	66,564,766	49,696,920	74.66
2018 (Budgeted)[a]	68,306,098	49,877,575	73.02

Source: Audited Financial Statements of the District and Adopted Budgets of the District.
a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

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

The Town Tax Receivers distribute the collected tax money to the Towns, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

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 and the refinancing or refunding of such bonds or notes (such as the Bonds), 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. (See "*Security and Source of Payment*," herein).

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.

Approximately 2% of the District's 2016-2017 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 2% of the District's 2017-2018 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 2018. (See "*State Aid*" herein).

Rebate Program

Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts in 2014 and 2015 and certain municipal units of government in 2015 and 2016. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a State approved "government efficiency plan" which demonstrated three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies.

Chapter 20 of the Laws of 2015 ("Chapter 20") introduced a new real property tax rebate program that provides state-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District ("MCTD") received $130, and eligible taxpayers who resided outside the MCTD received $185. Credits in 2017-2019 will vary based on a taxpayer's personal income level and STAR tax savings. Similar to the Chapter 59 real property tax credit, under Chapter 20 the eligibility of real property taxpayers in each year depends on the school district's compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for taxpayers other than those living in one of the "Big 4" cities only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the "Big 4" cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of Chapter 97.While the provisions of Chapter 59 did not, and the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, Chapter 59 did, and Chapter 20 does, provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

Valuations, Rates Levies and Collections

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation
2013	$93,076,225	0.80	$11,634,528,125	$474.29
2014	92,610,844	0.73	12,686,416,986	500.80
2015	93,108,851	0.73	12,754,637,123	510.20
2016	93,425,601	0.64	14,597,750,156	517.19
2017	93,858,639	0.59	15,908,243,898	518.68

Selected Listing of Large Taxable Properties
2016-2017 Assessment Roll

Name	Type	Assessed Valuation
Keyspan Energy Development Corp.	Utility	$728,091
Lewis Sanders	Private Estate	301,300
252 Further Lane, LLC	Private Estate	262,750
Calvin Klein	Private Estate	261,700
Carl Icahn	Private Estate	227,500
RAI (NY) Inc.	Private Estate	225,050
73 Beach Terminal, LLC	Private Estate	200,550
Loren D. Hostek	Private Estate	206,000
Maurice J. Cunniffe	Private Estate	195,800
Lee Avenue Lot 1 LLC	Private Estate	194,160
	Total[a]	$2,802,901

a. Represents 2.99% of the total full valuation of the District for 2016-2017.
Source: Town Assessment Rolls.

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 District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions 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.

There is one case worthy of special mention:

On or about January 3, 2007, the School District filed a lawsuit against Sandpebble Builders, Inc. ("Sandpebble"), East Hampton Union Free School District v. Sandpebble Builders, Inc., Supreme Court, Suffolk County, New York, Index No. 07-01113. In the complaint, the School District sought unspecified damages based on Sandpebble's alleged breach of an estimating services contract. The School District also sought declaratory judgment that an alleged construction contract between the School District and Sandpebble dated April 2002 ("April 2002 Contract") is invalid.

Sandpebble asserted two counterclaims against the School District. The first counterclaim sought damages of $3,730,050.00 based upon the School District's alleged breach of the April 2002 Contract. The second counterclaim sought damages of $25,447.00 based on the School District's alleged breach of a contract to construct portable classrooms.

In May 2016, the Court conducted a jury trial which lasted three (3) weeks and involved voluminous exhibits and extensive testimony from numerous witnesses on both sides. The jury awarded Sandpebble the sum of approximately $750,000 which was substantially less than the amount demanded. The parties thereafter engaged in post-trial motions.

On or about December 14, 2016, Sandpebble entered a judgment against the District in the amount of $1,486,516.10 which included nine percent (9%) interest from 2001. This judgment was satisfied by the District. Sandpebble has appealed the judgment and the jury award. At present, the briefing schedule has been set by the appellate court with briefing to be completed by February 2018. The appellate court will schedule oral argument in 2018. It is anticipated that the court will render a decision in late 2018 or early 2019. This schedule is subject to change.

The School District intends to vigorously defend the appeal.

In the opinion of the School District's Attorney, the claims asserted by Sandpebble in its appeal will not result in a reversal of the jury award. This is based on the review of the pleadings, documents in possession at this time, the depositions taken in this case and the trial record. Moreover, as a general rule, it is difficult to reverse a jury award after such an extensive trial. Notwithstanding the foregoing, it is possible that the appellate court could reverse the jury award based on evidence disregarded by the jury or under the terms of the underlying contract. The appellate court could remand the case to the trial court for a new trial or increase the judgment to the total amount demanded by Sandpebble as set forth above with interest from 2001. Consequently, it is impossible to quantify the exposure to the District with certitude.

In the event that the jury award is reversed and the District is required to pay Sandpebble the total amount demanded plus interest from 2001, the New York State Local Finance Law permits the District to issue bonds or notes to finance the payment by the District to Sandpebble. The issuance of bonds or notes to make such payment would not be subject to voter referendum; however, the District cannot provide any assurances at this time that it would be able to issue such bonds or notes at terms favorable to the District.

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

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. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Bonds.

If and when an owner of any of the Bonds should elect to sell all or any part of the Bonds prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bonds are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere 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. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The District is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The District's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the District fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the District is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Bonds. (See "*The Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds 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 imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Some of the Bonds bear interest that is susceptible of inclusion in adjusted current earnings of corporations for alternative minimum tax purposes while interest on the remaining Bonds is not so includable. These two types of Bonds are not being separately identified by the District. Failing such identification, all corporate holders of the Bonds should treat the interest they receive as includable in adjusted current earnings of corporations for purposes of calculating the alternative minimum taxable income of such corporations. Prospective purchasers of the Bonds should consult their own tax advisors regarding this issue. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District 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 regarding any other Federal or state tax consequences with respect to the Bonds. 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 its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

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 means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 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 a Bond 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 Bond 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 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the note 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 note). 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 paid 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, could 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) or such decisions could affect the market price or marketability of the Bonds.

For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On November 21, 2017, the Senate Finance Committee released legislative text which would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. Both the House and the Senate proposals would modify the current provisions relative to the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017 (eliminating such tax on corporations and suspending it temporarily in respect of individuals). The future of the tax reform legislative efforts is uncertain at this time.

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 C".

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes 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"), the District will execute a Undertaking to Provide Continuing Disclosure, the form of which is attached hereto as Appendix D.

Prior Compliance History

Pursuant to Undertakings previously entered into by the District, the District is required to file the Statement of Financial and Operating Information within 180 days of the end of the fiscal year along with audited financial statements, if available. If the audited financial statement is not available at such time, it is filed following the receipt by the District of the audited financial statement for the preceding fiscal year, but in no event, not later than the last business day of each such succeeding fiscal year.

The following table sets forth the annual filings for each of the five preceding fiscal years. Some of the filings below were made more than 180 days after the ending of the fiscal year, but within 6 months of such year.

Fiscal Year Ending June 30:	Financial & Operating Information	Audited Financial Statements
2012	12/28/2012	12/28/2012
2013	12/31/2013	12/31/2013
2014	12/22/2014	11/07/2014
2015	12/18/2015	10/23/2015
2016	12/05/2016	10/14/2016

RATING

The District has applied to Moody's Investors Service ("Moody's") for a rating on the Bonds and such rating is pending at this time. This rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's, 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

The accuracy of the mathematical computations regarding the adequacy of the cash as deposit in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds on the applicable payment date(s) will be verified by Causey Demgen & Moore, P.C. Such verification of the accuracy of the mathematical computation will be based, in part, upon factual information supplied by the District and the Purchaser or the Municipal Advisor.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Isabel Madison, Assistant Superintendent for Business, East Hampton Union Free School District, 4 Long Lane, East Hampton, NY 11937, Phone (631) 329-4100, Fax (631) 329-7550 and email: Isabel.madison@ehufsd.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. 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. Munistat Services, Inc. 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 Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. 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. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions, unauthorized editing, or for any updates to dated website information.

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

The preparation and distribution of this Official Statement has been authorized by the Refunding Bond Resolution of the District which delegates to the President of the Board of Education the power to sell and issue the Bonds.

By: s/s JAMES P. FOSTER
President of the Board of Education
East Hampton Union Free School District
East Hampton, New York

December , 2017

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	$ 44,169,741	$ 46,389,929	$ 47,540,036	$ 48,321,232	$ 48,696,920
Other Real Property Tax Items	546,606	568,483	532,409	525,406	473,749
Charges for Services	14,126,074	13,652,576	12,978,885	13,853,675	13,946,175
Use of Money and Property	17,338	12,290	10,115	37,163	68,375
Miscellaneous	159,774	117,349	195,274	236,400	218,167
State Sources	2,259,197	2,896,966	2,791,281	2,739,898	3,161,380
Federal Sources					
Total Revenues	61,278,730	63,637,593	64,048,000	65,713,774	66,564,766
Expenditures:					
General Support	6,482,815	6,625,888	6,766,437	7,661,735	6,833,567
Instruction	32,928,382	32,959,865	32,376,196	33,653,320	33,648,306
Pupil Transportation	1,675,664	1,751,754	1,810,303	1,965,445	2,008,015
Community Services	60,000	60,000	79,700	76,800	78,200
Employee Benefits	13,985,587	15,594,579	15,923,156	15,956,640	15,227,084
Debt Service	15,220	71,667	84,028	128,250	170,200
Total Expenditures	55,147,668	57,063,753	57,039,820	59,442,190	57,965,372
Other Sources (Uses):					
Operating Transfers In					
Operating Transfers Out	(6,283,275)	(6,286,351)	(6,591,612)	(5,863,033)	(6,603,580)
Total Other Sources (Uses):	(6,283,275)	(6,286,351)	(6,591,612)	(5,863,033)	(6,603,580)
Excess (Deficit) Revenues & Other Sources Over Expenditures & Other Uses	(152,213)	287,489	416,568	408,551	1,995,814
Other Changes in fund Equity:					
Transfer to Reserves for Accrued Liabilities and Employee Benefits					
Fund Balances Beg. of Fiscal Year	10,801,159	10,648,946	10,936,435	11,353,003	11,761,554
Prior Period Adjustments					
Fund Balances End of Fiscal Year	$ 10,648,946	$ 10,936,435	$ 11,353,003	$ 11,761,554	$ 13,757,368

Source: Audited Annual Financial Reports of the District (2013-2017)
NOTE: This table NOT audited

EAST HAMPTON UNION FREE SCHOOL DISTRICT

Balance Sheet - General Fund

	2016	2017
ASSETS:		
Cash		
Unrestricted	$ 8,667,322	$ 4,038,114
Restricted	8,502,181	10,520,192
State & Federal Aid Receivable	379,198	485,592
Receivables (Misc)	10,729	24,930
Due From Other Governments	957,151	3,028,526
Due From Other Funds	222,751	318,455
Prepaid		16,667
Total Assets	$ 18,739,332	$ 18,432,476
LIABILITIES & DEFERRED REVENUE:		
Accounts Payable	$ 1,960,641	$ 941,289
Due To Other Governments	68,470	13,433
Due to Other Funds		20,096
Due to Teachers Retirement System,	3,575,444	3,202,785
Due to Employees' Retirement System	286,877	298,866
Compensated Absences Payable	1,022,284	88,073
Deferred Revenue	64,062	110,566
Total Liabilities & Deferred Revenue	6,977,778	4,675,108
FUND EQUITY:		
Fund Balances:		
Restricted	8,439,294	10,520,192
Non-spendable		16,667
Unreserved:		
Designated for Subsequent Year	655,296	504,979
Undesignated	2,666,964	2,715,530
Total Fund Equity and Other Credits	11,761,554	13,757,368
Total Liabilities and Fund Equity	$ 18,739,332	$ 18,432,476

Source: Audited Annual Financial Reports (2016-2017)
NOTE: This table NOT audited

EAST HAMPTON UNION FREE SCHOOL DISTRICT

Budget Summaries

	2016-2017	2017-2018
Revenues:		
Real Property Taxes (Incl. STAR)	$ 48,986,823	$ 49,877,575
State Aid	3,130,157	3,223,799
Tuition*	13,625,847	14,326,250
Use Of Money & Property	188,074	188,074
Appropriation of Fund Balance from Prior Fiscal Year	500,000	400,000
Miscellaneous Items	290,400	290,400
Total	$ 66,721,301	$ 68,306,098
Expenditures:		
General Support	$ 7,276,676	$ 7,333,523
Instruction	34,965,370	36,721,181
Pupil Transportation	2,248,750	2,214,043
Community Service	49,800	78,800
Employee Benefits	15,415,905	15,324,151
Interfund Transfer	1,430,000	1,220,000
Debt Service	5,334,800	5,414,400
Total	$ 66,721,301	$ 68,306,098

*Represents Tuition received from students for grades 9-12 from Amagansett, Montauk, Sagaponack, Springs and Wainscott School Districts.

Sources: Adopted Budgets of the District.

EAST HAMPTON UNION FREE SCHOOL DISTRICT

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

EAST HAMPTON UNION FREE SCHOOL DISTRICT

Table of Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 17
Basic Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	21
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	22
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds to Statement of Activities	23
Statement of Fiduciary Net Position - Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	25
Notes to Financial Statements	26 - 54
Required Supplementary Information:	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	55 - 56
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	57
Schedule of District's Proportionate Share of the Net Pension Asset/Liability	58
Schedule of District's Pension Contributions	59

EAST HAMPTON UNION FREE SCHOOL DISTRICT

Table of Contents, Continued

	Page
Other Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	60
Schedule of Project Expenditures - Capital Projects Fund	61
Net Investment in Capital Assets	62
Federal Grant Compliance Audit:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	63 - 64
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	65 - 66
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs	69
Status of Prior Audit Findings	70

* * * * *

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Education
East Hampton Union Free School District
East Hampton, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of the East Hampton Union Free School District (the District), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the East Hampton Union Free School District as of June 30, 2017, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, the schedule of revenue, expenditures and changes in fund balance - budget and actual - general fund on pages 55 through 56, the schedule of funding progress for other postemployment benefits on page 57, the schedule of District's proportionate share of net pension asset/liability on page 58, and the schedule of District's pension contributions on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for additional analysis. The accompanying schedule of expenditures of federal awards on page 67 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2017

EAST HAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the East Hampton Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District continued to offer all programs, without reducing services while the unassigned fund balance remained under the maximum 4% allowed by law.
- On the District-Wide Financial Statements, revenues increased by 1.3% primarily as a result of increased property taxes and State aid. Expenditures increased by 5.6% primarily as a result of increased instruction expenditures.
- On May 16, 2017 the proposed 2017-2018 budget in the amount of $68,306,098 was authorized by the District's residents.
- On the District-Wide Financial Statements a long term liability was recorded for $27,973,091 which was an increase of $2,965,069 over the prior year, as required by GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

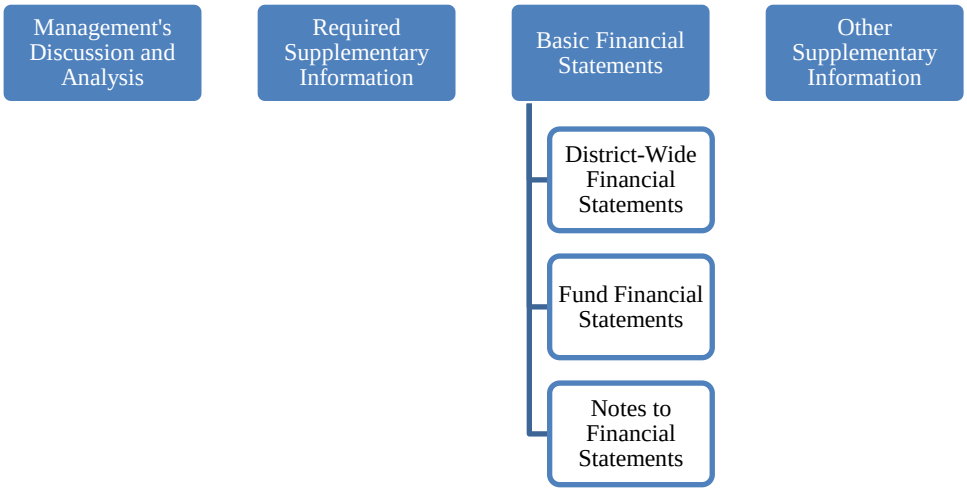


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

A. District-Wide Statements

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

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

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

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

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

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

B. Fund Financial Statements

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

The District has two kinds of funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by $416,574 in the fiscal year ended June 30, 2017, as detailed in Table A-3.

Table A-3 - Condensed Statement of Net Position-Governmental Activities

		Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)
Current assets and other assets	$	22,531,705	22,529,923	1,782
Noncurrent assets		-	17,466,623	(17,466,623)
Capital assets		85,122,224	86,640,401	(1,518,177)
Total assets		107,653,929	126,636,947	(18,983,018)
Deferred outflows of resources		19,251,724	7,463,960	11,787,764
Current liabilities		4,680,768	6,068,838	(1,388,070)
Long-term liabilities		90,823,565	91,585,922	(762,357)
Total liabilities		95,504,333	97,654,760	(2,150,427)
Deferred inflows of resources		1,155,574	6,616,975	(5,461,401)
Net position:				
Net investment in capital assets		33,175,097	31,890,647	1,284,450
Restricted		14,181,893	11,815,332	2,366,561
Unrestricted		(17,111,244)	(13,876,807)	(3,234,437)
Total net position	$	30,245,746	29,829,172	416,574

Total net position increased $416,574 primarily driven by an increase in the other postemployment benefit obligation which absorbed the majority of excess revenue over expenditures seen at the fund level.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2017 and 2016 are as follows:

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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 14,366,959	14,256,621	110,338
Operating grants	1,074,447	1,114,358	(39,911)
General revenues:			
Property taxes	49,170,669	48,846,638	324,031
State formula aid	3,161,380	2,739,898	421,482
Use of money and property	129,170	78,066	51,104
Other	218,167	236,400	(18,233)
Total revenues	68,120,792	67,271,981	848,811
Expenses:			
General support	8,584,737	9,376,688	(791,951)
Instruction	50,449,010	46,038,851	4,410,159
Pupil transportation	2,662,611	2,580,153	82,458
Community services	78,200	76,800	1,400
Debt service - interest	2,354,083	2,427,292	(73,209)
School lunch program	810,573	777,798	32,775
Depreciation (unallocated)	2,765,004	2,856,572	(91,568)
Total expenses	67,704,218	64,134,154	3,570,064
Total change in net position	$ 416,574	3,137,827	(2,721,253)

The District's total fiscal year 2017 revenues totaled $68,120,792. (See Table A-4). Property taxes and charges for services accounted for most of the District's revenue by contributing 21.1% and 72.2%, respectively of every dollar raised. (See Table A-5). The remainder came from state and federal aid, operating grants, investment earnings and rental of property, and other miscellaneous sources.

The total cost of all programs and services totaled $67,704,218 for fiscal year 2017. These expenses are predominantly related to instruction, which account for 74.5% of district expenses. (See Table A-6). The District's general support activities accounts for 12.7%.

Table A-5: Revenues for Fiscal Year 2016 (See Table A-4).

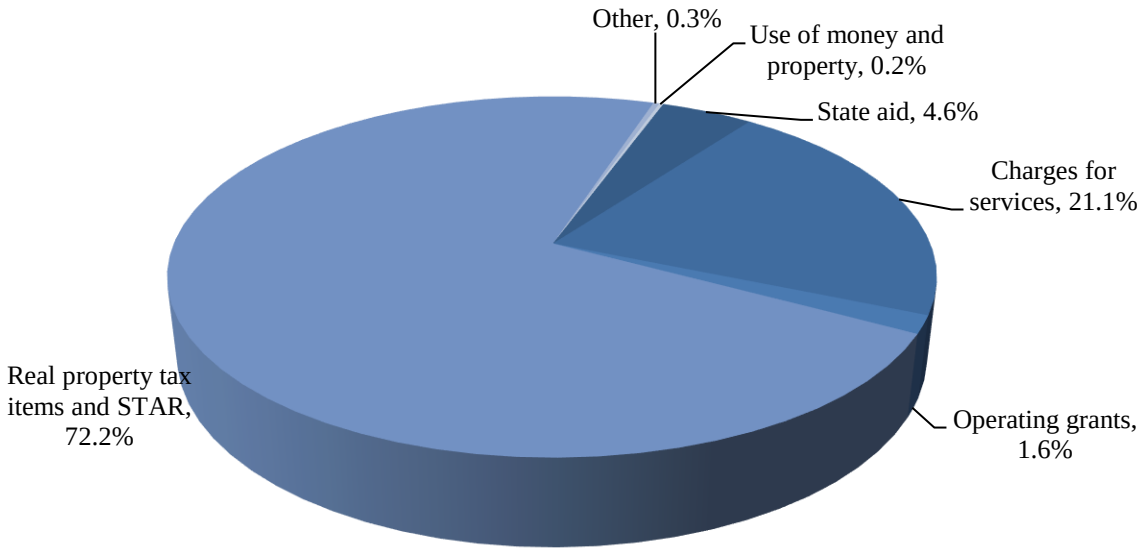
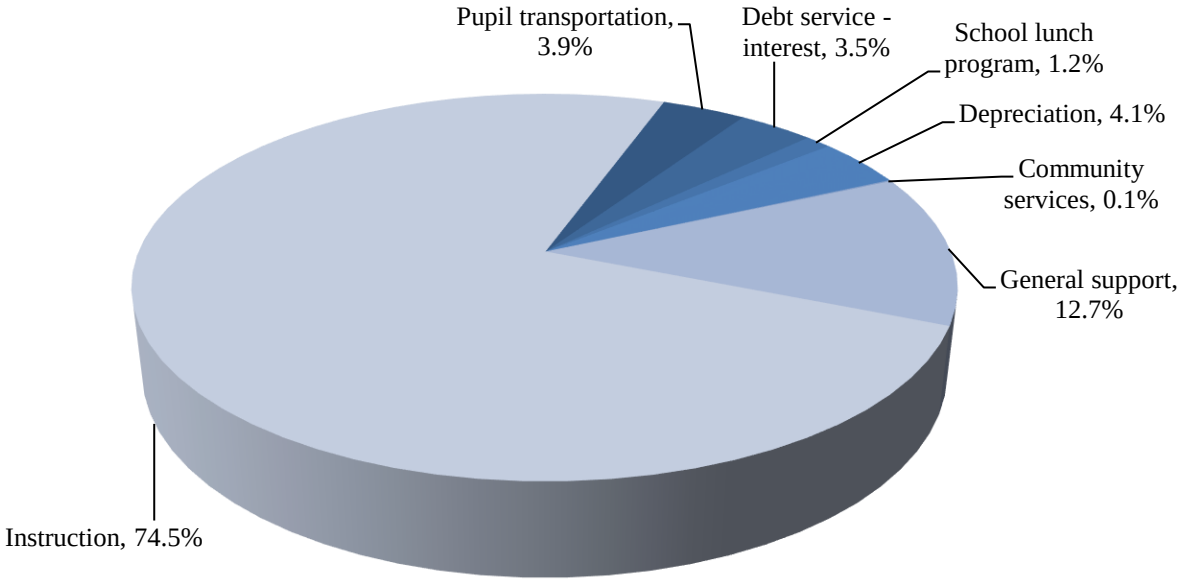


Table A-6: Expenses for Fiscal Year 2016 (See Tables A-4 and A-7)



C. Governmental Activities

Revenues for the District's governmental activities totaled $68,120,792 while total expenses equaled $67,704,218. The continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Consistent property assessed valuation;
- Continued tuition revenue from other Districts, though enrollment declining;
- Strategic use of services from the Eastern Suffolk BOCES;
- Improved curriculum and community support; and
- Continuous oversight of expenditures to offset declining tuition revenues.

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

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost (Revenue) of Services	
Category	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
General support	$ 8,584,737	9,376,688	8,584,737	9,376,688
Instruction	50,449,010	46,038,851	35,836,571	31,457,838
Pupil transportation	2,662,611	2,580,153	2,662,611	2,580,153
Community services	78,200	76,800	78,200	76,800
Debt service - interest	2,354,083	2,427,292	2,354,083	2,427,292
School lunch program	810,573	777,798	(18,394)	(12,168)
Depreciation (unallocated)	2,765,004	2,856,572	2,765,004	2,856,572
	$ 67,704,218	64,134,154	52,262,812	48,763,175

- The cost of all governmental activities this year was $67,704,218. (Statement of Activities, Expenses column).
- The users of the District's programs financed $14,366,959 of the cost. (Statement of Activities, Charges For Services column).
- The federal and state governments subsidized certain programs with grants of $1,074,447. (Statement of Activities and Changes in Net Assets, Operating Grants column).

- Most of the District's net costs of $52,262,812 were financed by District taxpayers and state aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of $17,487,621 which is an increase of $2,309,871 from the prior year. This increase is primarily due to increased real property tax revenues and cost savings in most categories of expenditures.

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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)
General Fund			
Nonspendable	$ 16,667	-	16,667
Restricted for unemployment	53,182	53,129	53
Restricted for repairs	15,954	15,939	15
Restricted for property and loss liability	240,643	240,402	241
Restricted for retirement contribution	2,250,500	2,041,051	209,449
Restricted for workers' compensation	385,948	185,374	200,574
Restricted for capital	1,200,000	-	1,200,000
Restricted for employee benefits accrued liability	6,373,965	5,903,399	470,566
Assigned - designated for subsequent year's expenditures	400,000	500,000	(100,000)
Assigned for general support	24,659	53,555	(28,896)
Assigned for instruction	76,320	101,741	(25,421)
Assigned for pupil transportation	4,000	-	4,000
Unassigned	2,715,530	2,666,964	48,566
Total Fund Balance - General Fund	13,757,368	11,761,554	1,995,814

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)
School Lunch Fund			
Non-spendable	$ 20,020	2,494	17,526
Assigned	48,532	37,664	10,868
Total Fund Balance - School Lunch Fund	$ 68,552	40,158	28,394
Debt Service Fund			
Restricted	$ 1,161,300	1,400,505	(239,205)
Capital Projects Fund			
Restricted	$ 2,500,401	1,975,533	524,868
Total Fund Balance - All Funds	$ 17,487,621	15,177,750	2,309,871

The District can attribute changes to fund balances and reserves primarily due to operating results, Board approved transfers, and allocation of interest earnings.

A. General Fund

The net change in the general fund - fund balance is an increase of $1,995,814. This was primarily due to a controlled effort to decrease expenditures to offset declining tuition revenues. In addition there were transfers to the debt service fund of $5,334,800, the special aid fund of $18,780, the school lunch fund of $10,000, and capital projects fund of $1,240,000.

B. School Lunch Fund

The net change in the school lunch fund - fund balance is an increase of $28,394. This resulted from revenues in excess of expenditures by $18,394 supplements by a transfer of funds from the general fund in the amount of $10,000.

C. Debt Service Fund

The net change in debt service fund - fund balance is a decrease of $239,205. This resulted from transfers from the general fund of $5,334,800, offset by an excess of expenditures over revenues of $5,574,005.

D. Capital Projects Fund

The net change in capital projects fund - fund balance is an increase of $524,868. This increase is due to the capital outlay of $715,132 offset by the transfer from the general fund of $1,240,000.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-2017 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was $66,721,301. This amount was increased by encumbrances carried forward from the prior year in the amount of $155,296 which resulted in a final budget of $66,876,597 The majority of the funding was property taxes, PILOTS and STAR revenue of $49,170,669.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	$ 2,666,964
Revenues and appropriations over budget	343,465
Expenditures and encumbrances under budget	2,191,446
Transfers to other funds under budget	11,220
Changes in restricted funds	(2,080,898)
Changes in non-spendable funds	(16,667)
Appropriated for June 30, 2016 budget	(400,000)
Closing, unassigned fund balance	$ 2,715,530

NYS Real Property Tax Law 1318 restricts the unassigned fund balance of the General Fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's current balance of unassigned fund balance is 3.98%.

The revenues over budget of $343,465 were primarily due to increases in charges for services and state aid offset by decreases in BOCES aid (see Supplemental Schedule 1 for detail).

The expenditures and encumbrances under budget of $2,191,446 were primarily in instruction, employee benefits and central services (see Supplemental Schedule 1 for detail).

The changes in reserves are discussed further in Management Discussion and Analysis Section 4 - Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2017. A summary of the District's capital assets net of depreciation are as follows:

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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)
Land	$ 376,150	376,150	-
Land improvements	560,231	560,231	-
Construction in progress	1,396,380	681,248	715,132
Buildings and building improvements	111,316,394	111,316,394	-
Vehicles	3,963,191	3,125,970	837,221
Furniture and equipment	3,102,429	3,664,276	(561,847)
Subtotal	120,714,775	119,724,269	990,506
Less: accumulated depreciation	(35,592,551)	(33,083,868)	(2,508,683)
Total net capital assets	$ 85,122,224	86,640,401	(1,518,177)

The District spent $715,132 on new building construction and other improvements during the year in the capital projects fund. Capitalized assets as adjusted from the general fund totaled $531,695.

B. Long-Term Debt

At June 30, 2017, the District had total bonds payable of $51,675,000. The bonds were issued for district-wide projects. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

The general fund budget for the 2017-2018 school year was approved by the voters in the amount of $68,306,098. This is an increase of $1,584,797 or 2.38% over the previous year's adopted budget. The increase was primarily due to increases in mandated employee benefits and services as well as general increases in the budget.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

East Hampton Union Free School District
Ms. Isabel L. Madison
Assistant Superintendent for Business
4 Long Lane
East Hampton, New York 11937
(631) 329-4105

EAST HAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

ASSETS	
Cash:	
Unrestricted	$ 4,141,244
Restricted	14,455,216
Receivables:	
Accounts receivable	28,528
State and federal aid	841,504
Due from other governments	3,028,526
Prepaid	16,667
Inventories	20,020
Capital assets, net of depreciation	85,122,224
TOTAL ASSETS	107,653,929
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	15,921,568
Accrued contractual payments	3,330,156
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,251,724
LIABILITIES	
Payables:	
Accounts payable	1,035,993
Accrued liabilities	22,241
Due to other governments	13,433
Due to teachers' retirement system	3,202,785
Due to employees' retirement system	298,866
Interest payable	107,450
Long-term liabilities:	
Due and payable within one year:	
Bonds payable	3,565,000
Compensated absences payable	88,073
Due and payable after one year:	
Bonds payable	48,382,127
Compensated absences payable	6,373,965
Net other postemployment benefit obligation	27,973,091
Claims payable	401,927
Net pension liabilities- proportionate shares	4,039,382
TOTAL LIABILITIES	95,504,333
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,045,008
Unearned income	110,566
TOTAL DEFERRED INFLOWS OF RESOURCES	1,155,574
NET POSITION	
Net investment in capital assets	33,175,097
Restricted for:	
Capital	3,700,401
Unemployment insurance	53,182
Repairs	15,954
Property loss and liability	240,643
Debt service	1,161,300
Worker's compensation	385,948
Employee benefit accrued liabilities	6,373,965
Retirement contributions	2,250,500
Unrestricted	(17,111,244)
Total Net Position	$30,245,746

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	$ 8,584,737	-	-	(8,584,737)
Instruction	50,449,010	13,946,175	666,264	(35,836,571)
Pupil transportation	2,662,611	-	-	(2,662,611)
Community services	78,200	-	-	(78,200)
Debt service - interest	2,354,083	-	-	(2,354,083)
School lunch program	810,573	420,784	408,183	18,394
Depreciation (unallocated)	2,765,004	-	-	(2,765,004)
TOTAL FUNCTIONS AND PROGRAMS	$67,704,218	14,366,959	1,074,447	(52,262,812)
GENERAL REVENUES				
Real property taxes				48,696,920
Other tax items - including STAR reimbursement				473,749
Use of money and property				129,170
Miscellaneous				218,167
State sources				3,161,380
TOTAL GENERAL REVENUES				52,679,386
CHANGE IN NET POSITION				416,574
NET POSITION AT BEGINNING OF YEAR				29,829,172
TOTAL NET POSITION AT END OF YEAR				$ 30,245,746

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash:						
Unrestricted	$ 4,038,114	24,243	78,887	-	-	4,141,244
Restricted	10,520,192	-		1,433,427	2,501,597	14,455,216
Receivables:						
Accounts receivable	24,930	-	3,598	-	-	28,528
State and federal aid	485,592	355,912	-	-	-	841,504
Due from other governments	3,028,526	-	-	-	-	3,028,526
Due from other funds	318,455	-	20,096	-	-	338,551
Prepaid	16,667	-	-	-	-	16,667
Inventories	-	-	20,020	-	-	20,020
TOTAL ASSETS	$ 18,432,476	380,155	122,601	1,433,427	2,501,597	22,870,256
LIABILITIES AND FUND BALANCE						
Payables:						
Accounts payable	941,289	52,783	41,921	-	-	1,035,993
Accrued liabilities	-	10,113	12,128	-	-	22,241
Due to other governments	13,433	-	-	-	-	13,433
Due to other funds	20,096	317,259	-	-	1,196	338,551
Due to teachers' retirement system	3,202,785	-	-	-	-	3,202,785
Due to employees' retirement system	298,866	-	-	-	-	298,866
Compensated absences payable	88,073	-	-	-	-	88,073
TOTAL LIABILITIES	4,564,542	380,155	54,049	-	1,196	4,999,942
DEFERRED INFLOWS OF RESOURCES						
Unearned income	110,566	-	-	272,127	-	382,693
FUND BALANCE						
Non-spendable	16,667	-	20,020	-	-	36,687
Restricted	10,520,192	-	-	1,161,300	2,500,401	14,181,893
Assigned	504,979	-	48,532	-	-	553,511
Unassigned	2,715,530	-	-	-	-	2,715,530
TOTAL FUND BALANCE	13,757,368	-	68,552	1,161,300	2,500,401	17,487,621
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 18,432,476	380,155	122,601	1,433,427	2,501,597	22,870,256

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
JUNE 30, 2017

Total governmental fund balances		$17,487,621
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The Statement of Net Position includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 120,714,775	
Less: accumulated depreciation	(35,592,551)	85,122,224
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:		
Bonds payable	(51,675,000)	
Accrued interest on bonds payable	(107,450)	
Claims payable	(401,927)	
Net other post employment benefit obligation	(27,973,091)	
Compensated absences payable	(6,373,965)	(86,531,433)
Some deferred inflows and outflows are not reported in the governmental funds. These consist of:		
Deferred outflows - pensions	15,921,568	
Deferred inflows - pensions	(1,045,008)	
Deferred outflows - accrued contractual payments	3,330,156	18,206,716
(Increases) decreases in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:		
Net pension liabilities- proportionate shares		(4,039,382)
Net position of governmental activities		$30,245,746

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRCIT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	$ 48,696,920	-	-	-	-	48,696,920
Real property tax items	473,749	-	-	-	-	473,749
Charges for services	13,946,175	-	-	-	-	13,946,175
Use of money and property	68,375	-	-	60,795	-	129,170
Miscellaneous	218,167	-	-	-	-	218,167
State sources	3,161,380	123,089	12,760	-	-	3,297,229
Federal sources	-	543,175	347,327	-	-	890,502
Surplus food	-	-	48,096	-	-	48,096
Food service sales	-	-	420,784	-	-	420,784
TOTAL REVENUES	66,564,766	666,264	828,967	60,795	-	68,120,792
EXPENDITURES						
General support	6,833,567	-	-	-	-	6,833,567
Instruction	33,648,306	664,466	-	-	-	34,312,772
Pupil transportation	2,008,015	-	-	-	-	2,008,015
Community service	78,200	-	-	-	-	78,200
Employee benefits	15,227,084	20,578	-	-	-	15,247,662
Debt service - principal	-	-	-	3,445,000	-	3,445,000
Debt service - interest	170,200	-	-	2,189,800	-	2,360,000
Cost of food service sales	-	-	810,573	-	-	810,573
Capital outlay	-	-	-	-	715,132	715,132
TOTAL EXPENDITURES	57,965,372	685,044	810,573	5,634,800	715,132	65,810,921
EXCESS (DEFICIENCY) OF REVENUES OF REVENUES OVER EXPENDITURES	8,599,394	(18,780)	18,394	(5,574,005)	(715,132)	2,309,871
OTHER FINANCING SOURCES AND USES						
Operating transfers in	-	18,780	10,000	5,334,800	1,240,000	6,603,580
Operating transfers (out)	(6,603,580)	-	-	-	-	(6,603,580)
TOTAL OTHER FINANCING SOURCES (USES)	(6,603,580)	18,780	10,000	5,334,800	1,240,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	1,995,814	-	28,394	(239,205)	524,868	2,309,871
FUND BALANCE, BEGINNING	11,761,554	-	40,158	1,400,505	1,975,533	15,177,750
FUND BALANCE, ENDING	$ 13,757,368	-	68,552	1,161,300	2,500,401	17,487,621

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRCIT
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in funds balances - total governmental funds		$ 2,309,871
Amounts reported for governmental activities in the statement of activities are difference because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated and recognized over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:		
Capital outlays	$ 1,246,827	
Depreciation expense	(2,765,004)	(1,518,177)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts are as		
Debt repayments		3,445,000
Some items in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:		
Compensated absences payable		(470,566)
Claims payable		(190,766)
Accrued interest on bonds payable		5,917
Net other postemployment benefits liability		(2,965,069)
Deferred outflows - pensions		12,191,731
Deferred inflows - pensions		5,507,905
(Increases) decreases in proportionate share of net pension/asset/liability reported in the statement of activates do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:		
Employees' retirement system		1,772,946
Teachers' retirement system		(19,268,251)
Some items reported as expenditures in governmental funds are required to be deferred in the statement of net position. In the current period these amounts are the following:		
Accrued contributions to employees' retirement system	11,989	
Accrued contributions to teachers' retirement system	(415,956)	(403,967)
Changes in net position of governmental activities		$ 416,574

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash	$ 47,920	274,937
Other receivables	3,300	-
TOTAL ASSETS	51,220	274,937
LIABILITIES		
Extraclassroom activity balance	-	235,790
Other liabilities	103	39,147
TOTAL LIABILITIES	103	274,937
NET POSITION		
Reserved for scholarships	33,070	-
Reserved other student activities	18,047	-
TOTAL NET POSITION	$ 51,117	-

See Accompanying Notes to Financial Statements

EAST HAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Mini grants and miscellaneous programs	$ 135,134
Interest and earnings	26
TOTAL ADDITIONS	135,160
DEDUCTIONS	
Scholarships and awards	500
East End ENL	8,175
East Hampton Family Literacy	4,670
Mini grants expended	5,660
Driver ed/other student programs	125,654
TOTAL DEDUCTIONS	144,659
CHANGE IN NET POSITION	(9,499)
NET POSITION - BEGINNING	60,616
NET POSITION - ENDING	$ 51,117

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

(A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, the power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, The Financial Reporting Entity and by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

(i) Extraclassroom Activity Funds

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

(B) Joint venture:

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

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

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

(C) Basis of presentation:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

(i) District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include

charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

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

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

(D) Measurement focus and basis of accounting:

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

(E) Property taxes:

(i) Calendar

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of East Hampton during the period December 1, 2016 to June 1, 2017.

(ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

(F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

(G) Interfund transactions:

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

(H) Estimates:

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

(I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

(J) Accounts receivable:

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

(K) Inventories:

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

A non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

(L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 1990. For assets acquired prior to 1990, estimated historical cost is based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	$15,000	Straight-line	50 years
Land Improvements	$15,000	Straight-line	20 years
Furniture and Equipment	$5,000	Straight-line	5-15 years

(M) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included are the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position and Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First arises under a modified accrual basis of accounting and is reported as unavailable revenue - unearned in the Balance Sheet - Governmental Funds. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense.

(N) Vested employee benefits:

Compensated absences:

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

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

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

Consistent with GASB Statement No. 16 - "Accounting for Compensated Absences," the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

(O) Other benefits:

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure, in the year paid.

(P) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

(Q) Accrued liabilities and long-term obligations:

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

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

(R) Equity Classifications:

(i) District-Wide Statements:

In the District-Wide statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of related debt.

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

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

(ii) Funds statements:

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance consists of a security deposit for the bus garage lease of $16,667 in the General Fund and inventory recorded in the School Lunch Fund of $20,020.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Unemployment Insurance
Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

Capital
According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Repairs
Repair reserve (GML §6-d) is used to pay for the cost of repairs to capital assets which are not recurring annually. The Board of Education with a majority vote of its members may establish the reserve without voter approval, but voter approval is required to fund this reserve. Expenditures from this reserve may be made only after a public hearing has been held with the exception of emergency situations. In such cases where no hearing has been held, the funds must be repaid to the reserve within the next 2 years. The reserve is accounted for in the general fund.

Property Loss and Liability
Property loss reserve and liability reserve (Education Law 1709(8) (c) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or $15,000 whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund.

Retirement Contribution
Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund.

Workers' Compensation
Workers' compensation reserve (GML §6-j) is used to pay for compensation benefit and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability
Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Debt Service
Mandatory reserve for debt service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvements that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund

Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and the School Food Service Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Scholarships
Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the private purpose fund.

Restricted fund balance includes the following:

General Fund:	
Unemployment insurance	$ 53,182
Capital improvements	1,200,000
Repairs	15,954
Property and liability loss	240,643
Retirement contribution	2,250,500
Workers' compensation	385,948
Employee benefit accrued liability	6,373,965
Total General Fund	10,520,192
Debt Service Fund	1,161,300
Capital Projects Fund	2,500,401
Total restricted funds	$ 14,181,893

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. The District has no committed fund balances as of June 30, 2017.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the General Fund amounted to $104,979. Additionally, the District assigned $400,000 of general fund balance to reduce the tax levy for the ensuing fiscal year budget. The School Lunch Fund is reported as an assigned fund balance of $48,532.

Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

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

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the District-wide statements, certain financial transactions are treated differently.

The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

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

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

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

(i) Long-term revenue differences:
Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

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

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

(iv) Employee benefit allocations:
Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

(A) Budgets:

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No Budget Revisions occurred during the fiscal year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

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

(B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

(A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $6,373,965 for employee benefits, $3,716,355 for capital improvements and repairs, $2,250,500 for employer retirement reserve, $1,161,300 for debt service, $385,948 for workers' compensation, $240,643 for property and liability loss, and $53,182 for unemployment insurance within the governmental funds.

(B) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 - PARTICIPATION IN BOCES:

During the year, the District was billed $2,520,143 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $282,185. Financial statements for the BOCES are available from the BOCES administrative office at the James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 - FEDERAL AND STATE RECEIVABLE

Federal and state aid receivable at June 30, 2017 consisted of the following:

General Fund		
New York State aid, plus excess cost aid	$	203,407
BOCES aid		282,185
Total - General fund		485,592

Special Aid Fund	
New York State aid - summer handicapped	$ 5,786
Federal aid	350,126
Total - Special Aid Fund	355,912
Total - All Funds	$ 841,504

NOTE 7 - DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund and governmental activities consisted of the following:

Tuition billings	$ 2,943,991
Other service billings	84,535
Total	$ 3,028,526

District management has deemed these amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2017 were:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 376,150	-	-	376,150
Land improvement	560,231	-	-	560,231
Construction in progress	681,248	715,132	-	1,396,380
Total nondepreciable historical cost	1,617,629	715,132	-	2,332,761
Capital assets that are depreciated:				
Building and building improvements	111,316,394	-	-	111,316,394
Furniture and equipment	3,664,276	309,934	11,019	3,963,191
Vehicles	3,125,970	221,761	245,302	3,102,429
Total depreciable historical cost	118,106,640	531,695	256,321	118,382,014

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Less accumulated depreciation:				
Building and building improvements	$ 27,944,300	2,226,328	-	30,170,628
Furniture and equipment	2,023,913	367,960	-	2,391,873
Vehicles	2,555,424	170,716	11,019	2,715,121
Land improvement	560,231	-	245,302	314,929
Total accumulated depreciation	33,083,868	2,765,004	256,321	35,592,551
Total historical cost, net	$ 86,640,401	(1,518,177)	-	85,122,224
Depreciation expense (unallocated)				$ 2,765,004

NOTE 9 - INTERFUND TRANSACTIONS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
Governmental activities:				
General fund	$ 318,455	20,096	-	6,603,580
Special aid fund	-	317,259	18,780	-
School lunch fund	20,096	-	10,000	-
Debt service fund	-	-	5,334,800	-
Capital projects fund	-	1,196	1,240,000	-
Total government activities	338,551	338,551	6,603,580	6,603,580
Fiduciary activities - private purpose trust fund	-	-	-	-
Total all activities	$ 338,551	338,551	6,603,580	6,603,580

The District typically transfers from the general fund to the capital projects fund, to finance capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by State Law.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

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

NOTE 10 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/27/17	2.0%	$ -	13,500,000	(13,500,000)	-

Interest expense, net of premium, on short-term debt for the year was $64,492.

Authorized and Unissued Debt

The District has no authorized but unissued debt outstanding. The District is in the preliminary stages of planning district-wide energy performance upgrades and the construction of a bus garage. The amount of such improvements and the date of borrowing has yet to be determined.

NOTE 11 - LONG-TERM DEBT OBLIGATIONS:

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

	Beginning Balance	Issued/ Increases	Redeemed/ Decreases	Ending Balance	Due Within One Year
Government activities:					
Bonds payable:					
General obligation debt:					
Construction serial bonds	$ 55,120,000	-	3,445,000	51,675,000	3,565,000
Unamortized bond premium	310,356	-	38,229	272,127	-
Total bonds payable	55,430,356	-	3,483,229	51,947,127	3,565,000
Other liabilities:					
Compensated absences	5,903,399	804,344	333,778	6,373,965	-
Net other postemployment benefit obligation	25,008,022	4,933,952	1,968,883	27,973,091	-
Net pension liabilities - proportionate share	4,010,700	28,682	-	4,039,382	-
Claims payable	211,161	355,607	164,841	401,927	-
Total other liabilities	35,133,282	6,122,585	2,467,502	38,788,365	-
Total long-term liabilities	$ 90,563,638	6,122,585	5,950,731	90,735,492	3,565,000

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

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction Serial Bond	6/15/08	6/12/28	3.75 - 4.125%	$ 22,560,000
Construction Serial Bond	10/15/09	6/15/29	2 - 4.25%	16,410,000
Construction Serial Bond	6/1/10	6/1/30	2 - 4%	12,705,000
Unamortized bond premium				272,127
				$ 51,947,127

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 3,565,000	2,070,600	5,635,600
2019	3,695,000	1,937,888	5,632,888
2020	3,835,000	1,798,825	5,633,825
2021	3,975,000	1,651,425	5,626,425
2022	4,130,000	1,492,425	5,622,425
2023 - 2027	23,215,000	4,837,818	28,052,818
2028 - 2030	9,260,000	595,769	9,855,769
,	51,675,000	14,384,750	66,059,750
Plus unamortized bond premium	272,127	-	272,127
	$ 51,947,127	14,384,750	66,331,877

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

	Total
Interest paid, including installment debt	$ 2,360,000
Less interest accrued in the prior year	(113,367)
Plus interest accrued in the current year	107,450
	$ 2,354,083

NOTE 12 - PENSION PLANS:

(A) Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits

are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annual certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems; fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS	TRS	Total
2017	$ 1,143,814	3,032,859	4,176,673
2016	1,234,813	3,441,887	4,676,700
2015	1,388,948	4,421,839	5,810,787

(B) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	3/31/2017	6/30/2016
Actuarial valuation date	4/01/2016	6/30/2015
Net pension asset/(liability)	$ (2,237,754)	(1,801,628)
District's proportion of the Plan's net pension asset/(liability)	0.0238155%	0.168213%

For the year ended June 30, 2017, the District's recognized pension expense of $1,379,009 and $2,975,731 in the statement of activities for ERS and TRS, respectively. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 56,076	-	339,816	585,270
Changes of assumptions	764,499	10,263,222	-	-
Net difference between projected and actual earnings on pension plan investments	446,970	4,051,008	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	334,492	5,301	50,684	69,238
District's contributions subsequent to the measurement date	298,866	3,031,290	-	-
Total	$ 1,900,903	17,350,821	390,500	654,508

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	ERS	TRS
2018	$ 520,735	1,244,068
2019	520,735	1,244,068
2020	441,843	4,390,193
2021	(271,776)	3,411,342
2022	-	1,559,666
Thereafter	-	1,815,686
	$ 1,211,537	13,665,023

(C) Actuarial Assumptions:

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.50%
Salary scale	3.8% Average	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009- June 30, 2014.

The long-term ERS expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27 - "Selection of Economic Assumptions for Measuring Pension Obligations." ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2015
Asset type:		
Domestic equity	4.55%	6.10%
International equity	6.35%	7.30%
Real estate	5.80%	5.40%
Domestic fixed income securities	-	1.00%
Global fixed income securities	-	0.80%
Mortgages	-	3.10%
Short-term	-	0.10%
Private equity	7.75%	9.20%
Absolute return strategies	4.00%	-
Opportunities portfolio	5.89%	-
Real assets	5.54%	-
Bonds and mortgages	1.31%	-
Cash	(0.25%)	-
Inflation - indexed bonds	1.50%	-

Real rates of return are net of a long-term inflation assumption of 2.5% for ERS and 2.1% for TRS.

(D) Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions form plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(E) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	$ (7,146,943)	(2,237,754)	1,912,956

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	$(23,506,336)	(1,801,628)	16,403,143

(F) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Millions) ERS	TRS
Measurement date	6/30/2017	6/30/2016
Employers' total pension liability	$ (177,400)	(108,577)
Plan net position	168,004	107,506
Employers' net pension asset/(liability)	$ (9,396)	(1,071)
Ratio of plan net position to the Employers' total pension asset/(liability)	94.70%	99.01%

(G) Payables to the Pension Plans

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $298,866. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflows of resources in the government-wide financial statements.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year

as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $3,031,290 of employer contributions and $171,495 employee contributions. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflows of resources in the government-wide financial statements.

NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS:

Plan Description

The District provides primarily postemployment health insurance coverage (the Healthcare Plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. The Healthcare Plan is a single-employer defined benefit healthcare plan. Benefits are provided through the New York State Health Insurance Program Empire Plan.

Funding Policy

The contribution requirements of plan members and the East Hampton Union Free School District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017, the East Hampton Union Free School District contributed $1,968,883 to the plan including Medicare reimbursements. Plan members receiving benefits contributed 0%-50% of the health insurance premium.

Annual OPEB Cost and Net OPEB Obligation

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

Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution	$ 4,620,216
Interest on net OPEB obligation	1,250,401
Adjustment to Annual Required Contribution	(936,665)
Annual OPEB cost (expense)	4,933,952
Contributions made	(1,968,883)
Increase in net OPEB obligation	2,965,069
Net OPEB obligation-beginning of year	25,008,022
Net OPEB obligation-end of year	$ 27,973,091

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 was as follows:

Year Ending	OPEB Cost	OPEB Contributions	OPEB Cost Contributed	OPEB Obligation
6/30/09	$ 4,401,000	1,011,374	23%	3,389,626
6/30/10	4,703,729	1,053,823	22%	3,649,906
6/30/11	4,796,115	1,330,917	28%	3,465,198
6/30/12	5,159,291	1,739,923	34%	3,419,368
6/30/13	4,419,567	1,829,497	41%	2,590,070
6/30/14	4,699,605	1,860,597	40%	2,839,008
6/30/15	4,367,163	1,594,899	37%	2,772,264
6/30/16	4,607,692	1,725,110	37%	2,882,582
6/30/17	4,933,952	1,968,883	40%	2,965,069
	$ 42,088,114	14,115,023	34%	27,973,091

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $57,433,690 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $57,433,690. The covered payroll (annual payroll of active employees covered by the plan) was $31,762,431, and the ratio of the UAAL to the covered payroll was 180.8%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 5% and an annual healthcare cost trend rate of 5.60%, changes to an ultimate rate of 3.94%. The UAAL is being amortized using the level percent of payroll amortization method.

NOTE 14 - RISK MANAGEMENT:

General:
The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Consortium and Self Insured Plans:
The District participates in the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool (Plan) was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. At June 30, 2016, the EEWCC had an independent audit of its financial statements performed. A separate statement prepared as part of the audit provided details of the fund balance for each participating district. As of June 30, 2017, the statements showed the District had an allocated cash deficit of $(36,386), losses incurred not paid of $147,743 and incurred but not reported claims of $222,798. The Districts' total unfunded liability is $401,927. The District has a cash balance of $185,374 in the Workers' Compensation Reserve.

Liabilities of the Plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are recorded at present value, undiscounted.

Changes in the balances of the District's proportionate share of claims liabilities for workers' compensation during the past fiscal year is as follows:

	2017	2016
Unpaid claims at beginning of fiscal year	$ 211,161	256,024
Incurred claims and claim adjustment expenses	355,607	43,288
Claims payments	(164,841)	(88,151)
Unpaid claims at year end	$ 401,927	211,161

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

(A) Grants

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

(B) Operating Leases

The following is a summary of obligations of government activities under operating lease payments. These operating leases include bus barn, copiers and office equipment. Rental expense for the fiscal year was approximately $249,341 including additional overage fees.

Fiscal year ending June 30,	Total
2018	$ 349,341
2019	349,341
2020	349,341
2021	66,668
Total lease payments	$ 1,114,691

(C) Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

NOTE 16 - SUBSEQUENT EVENTS:

Management has evaluated events through the date of the report, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

NOTE 17 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the District, this Statement becomes effective for the fiscal year beginning July 1, 2017. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the District, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in substance defeasances occurring through repayment of debt from existing resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of District.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the District. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUE				
Local Sources				
Real Property Taxes	$ 48,650,614	48,696,913	48,696,920	7
Other Real Property Tax Items (Star,Pilot, int on RE Tax)	524,283	477,984	473,749	(4,235)
Charges for Services	13,741,222	13,741,222	13,946,175	204,953
Use of Money & Property	36,500	36,500	68,375	31,875
Miscellaneous	170,130	170,130	218,167	48,037
State Sources				
Basic Formula	1,492,108	1,492,108	1,477,166	(14,942)
Excess Cost Aid	1,119,619	1,119,619	1,123,747	4,128
Lottery Aid	79,640	79,640	86,353	6,713
BOCES Aid	311,410	311,410	280,478	(30,932)
Textbook Aid	30,775	30,775	81,317	50,542
Computer Software Aid	25,000	25,000	27,189	2,189
Library A/V Loan Program Aid	10,000	10,000	11,171	1,171
Other State Aid	30,000	30,000	73,959	43,959
TOTAL REVENUE AND OTHER SOURCES	66,221,301	66,221,301	66,564,766	343,465
Appropriated Fund Balance	500,000	500,000		
Assigned prior year encumbrances	155,296	155,296		
TOTAL REVENUE & APPROPRIATED FUND BALANCE	$ 66,876,597	66,876,597		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support:					
Board of Education	$ 93,634	81,646	68,309	-	13,337
Central Administration	380,503	382,099	376,988	500	4,611
Finance	764,594	740,209	719,467	-	20,742
Staff	374,053	587,454	549,684	-	37,770
Central Services	4,959,919	4,869,780	4,409,838	24,159	435,783
Special Items	746,528	746,528	709,281	-	37,247
Instructional:					
Instruction, Adm. & Imp.	3,721,071	3,313,156	3,152,045	13,974	147,137
Teaching - Regular School	19,276,073	19,108,656	18,827,960	318	280,378
Programs for Children with Handicapping Conditions	5,522,529	5,532,444	5,383,312	-	149,132
Occupational Education	500,000	450,000	439,912	-	10,088
Teaching Special Schools	316,279	204,085	160,798	2,587	40,700
Instructional Media	1,618,045	1,626,923	1,577,850	15,185	33,888
Pupil Services	4,124,118	4,243,737	4,106,429	44,256	93,052
Pupil Transportation	2,248,750	2,268,750	2,008,015	4,000	256,735
Community Services	49,800	78,800	78,200	-	600
Employee Benefits	15,415,901	15,857,330	15,227,084	-	630,246
Debt Service Interest	150,000	170,200	170,200	-	-
TOTAL EXPENDITURES	60,261,797	60,261,797	57,965,372	104,979	2,191,446
Other Financing Uses:					
Transfers to Other Funds	6,614,800	6,614,800	6,603,580	-	11,220
TOTAL EXPENDITURES AND OTHER USES	$ 66,876,597	66,876,597	64,568,952	104,979	2,202,666
Net change in fund balances			1,995,814		
Fund balance - beginning			11,761,554		
Fund balance - ending			$ 13,757,368		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Supplemental Schedule #2

EAST HAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2017

Actuarial						
Valuation Date	Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
January 1, 2008	-	$49,042,300	49,042,300	0.00%	30,234,440	162.2%
January 1, 2010	-	53,213,314	53,213,314	0.00%	32,048,506	166.0%
July 1, 2010	-	52,439,706	52,439,706	0.00%	31,886,867	164.5%
July 1, 2011	-	56,580,230	56,580,230	0.00%	33,161,470	170.6%
July 1, 2012	-	49,825,079	49,825,079	0.00%	32,519,952	153.2%
July 1, 2013	-	52,941,284	52,941,284	0.00%	32,468,918	163.1%
July 1, 2014	-	51,689,186	51,689,186	0.00%	29,636,542	174.4%
July 1, 2015	-	54,938,884	54,938,884	0.00%	34,348,251	159.9%
July 1, 2016	-	57,433,690	57,433,690	0.00%	31,762,431	180.8%

Supplemental Schedule #3

EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
YEAR ENDED JUNE 30, 2017

TRS System	2017	2016	2015
The District's proportion of the net pension asset	0.168213%	0.167969%	0.165972%
The District's proportionate share of the net pension asset/(liability)	$ (1,801,628)	$17,466,623	$18,488,295
The District's covered employee payroll	$25,877,642	$25,956,913	$25,231,219
The District's proportionate share of the net pension asset/(liability) as a percentage of covered employee payroll	6.96%	67.29%	73.28%
Plan fiduciary net position as a percentage of the total pension asset	99.01%	110.46%	111.48%

ERS System	2017	2016	2015
The District's proportion of the net pension liability	0.0238155%	0.0249884%	0.0257646%
The District's proportionate share of the net pension liability	$ (2,237,754)	$ (4,010,700)	$ (870,932)
The District's covered employee payroll	$ 7,439,437	$ 7,344,831	$ 7,692,886
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	30.08%	54.61%	11.32%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017

TRS System	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$3,032,859	3,441,887	4,421,839	3,983,890	2,881,376	2,330,757	1,724,404	1,984,352	2,110,678	1,888,622
Contribution in relation to the contractually required contribution	3,032,859	3,441,887	4,421,839	3,983,890	2,881,376	2,330,757	1,724,404	1,984,352	2,110,678	1,888,622
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Contribution as a percentage of covered employee payroll	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%	6.19%	7.63%	8.73%

ERS System	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$1,143,814	1,234,813	1,388,948	1,447,634	1,477,371	1,275,836	911,656	510,374	518,624	488,153
Contribution in relation to the contractually required contribution	1,143,814	1,234,813	1,388,948	1,447,634	1,477,371	1,275,836	911,656	510,374	518,624	488,153
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Contribution as a percentage of covered employee payroll	15.38%	16.81%	18.05%	19.05%	19.97%	17.45%	12.46%	7.48%	8.59%	9.15%

EAST HAMPTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$66,721,301
Add: Prior year's encumbrances	155,296
Original Budget	66,876,597
Budget Revision	-
Final Budget	$66,876,597
Next year's voter approved budget	$68,306,098

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 Voter-approved expenditure budget		$68,306,098
Maximum allowed (4% of 2017-18 budget)		$ 2,732,244
General Fund Fund Balance Subject to Section 1318 of Real Property Law:		
Unrestricted Fund balance:		
Assigned fund balance	$ 504,979	
Unassigned fund balance	2,715,530	
Total unrestricted fund balance		3,220,509
Less:		
Appropriated fund balance	400,000	
Encumbrances	104,979	
Total adjustments		504,979
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 2,715,530
Actual percentage		3.98%

EAST HAMPTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2017

				Expenditures				Methods of Financing				Fund Balance
Project Title	Project #	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	June 30, 2017
2014-2015 Security Elmentary	0004-018	$ 444,850	792,330	359,432	194,252	553,684	238,646	-	-	792,330	792,330	238,646
2014-2015 Security High School	0006-027	502,250	850,920	167,039	262,118	429,157	421,763	-	-	850,920	850,920	421,763
2014-2015 Security Middle School	0003-021	487,900	981,750	122,996	258,762	381,758	599,992	-	-	981,750	981,750	599,992
Middle School Back Wall	0003-023	1,240,000	1,240,000	-	-	-	1,240,000	-	-	1,240,000	1,240,000	1,240,000
TOTAL		$ 2,675,000	3,865,000	649,467	715,132	1,364,599	2,500,401	-	-	3,865,000	3,865,000	2,500,401

Supplemental Schedule 7

EAST HAMPTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2017

Capital assets, net		$85,122,224
Deduct:		
Short-term portion of bonds payable	$ 3,565,000	
Long-term portion of bonds payable	48,110,000	
Unamortized Bond Premium	272,127	51,947,127
Net investment in capital assets		$33,175,097

EAST HAMPTON UNION FREE SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2017

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Education
East Hampton Union Free School District
East Hampton, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of East Hampton Union Free School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2017

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
East Hampton Union Free School District
East Hampton, New York:

Report on Compliance for Each Major Federal Program

We have audited East Hampton Union Free School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, East Hampton Union Free School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 11, 2017

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through the NYS Education Department -				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	$ 44,136	-
National School Lunch Program	10.555	N/A	303,191	-
Commodity Supplemental Food Program	10.555	N/A	48,096	-
Total Child Nutrition Cluster			395,423	-
Total U.S. Department of Agriculture			395,423	-
U.S. Department of Education				
Passed through the NYS Education Department:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	0032-17-0898	354,557	-
Special Education - Preschool Grants	84.173	0033-16-0898	5,935	-
Total Special Education Cluster (IDEA)			360,492	-
Title I Grants to Local Education Agencies	84.010	0021-16-3020	2,636	-
Title I Grants to Local Education Agencies	84.010	0021-17-3020	103,379	-
Improving Teacher Quality State Grants Title II A	84.367	0147-16-3020	5,000	-
Improving Teacher Quality State Grants Title II A	84.367	0147-17-3020	23,838	-
English Language Acquisition State Grants - Title III LEP	84.365	0293-16-3020	5,795	-
English Language Acquisition State Grants - Title III LEP	84.365	0293-17-3020	32,736	-
English Language Acquisition State Grants - Title III Immigrant	84.365	0151-16-3020	2,021	-
English Language Acquisition State Grants - Title III Immigrant	84.365	0151-17-3020	7,278	-
Total U.S. Department of Education			543,175	-
Total Expenditures of Federal Awards			$ 938,598	-

See accompanying notes to schedule of expenditures of federal awards.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

(1) BASIS OF PRESENTATION:

The accompanying schedule of expenditure of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the fiscal year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. Pass-through entity identifying numbers are presented where available.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State.

(3) INDIRECT COSTS:

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) SUBRECIPIENTS:

No amounts were provided to subrecipients.

(5) OTHER DISCLOSURES:

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policy.

There were no loans or loan guarantees outstanding at year end.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on the financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	_____Yes _x_No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____Yes _x_None reported
3. Noncompliance material to financial statements noted?	_____Yes _x_No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	_____Yes _x_No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____Yes _x_None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)?	_____Yes _x_No
7. The District's major programs audited were:	
Name of Federal Programs	CFDA Number
Special Education Cluster (IDEA):	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
8. Dollar threshold used to distinguish between Type A and Type B programs?	$750,000
9. Auditee qualified as low-risk auditee?	_x_Yes _____No

Part II - FINANCIAL STATEMENT FINDINGS

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No reportable findings and questioned costs.

EAST HAMPTON UNION FREE SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

There were no audit findings in the prior year financial statements (June 30, 2016).

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

December 28, 2017

The Board of Education of
the East Hampton Union Free School District, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the East Hampton Union Free 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 $51,795,000 School District Refunding Serial Bonds-2017 (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 imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion as to whether interest on the Bonds (or any portion thereof) is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. A portion of the Bonds bears interest that is susceptible of inclusion in adjusted current earnings of corporations for alternative minimum tax purposes while interest on the remaining portion of the Bonds is not so includable. These two portions of the Bonds are not being separately identified by the School District. Failing such identification, all corporate holders of the Bonds should treat the interest they receive as includable in adjusted current earnings of corporations for purposes of calculating the alternative minimum taxable income of such corporations.

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.

Except as stated above, 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. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax laws.

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,

/s/ Hawkins Delafield & Wood LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

"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 East Hampton Union Free 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 December 12, 2017.

"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 **$51,795,000 School District Refunding Serial Bonds-2017**, dated December 28, 2017, maturing in various principal amounts on June 1 in each of the years 2018 to 2030, 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 Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, 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, 2018, 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 further, 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; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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 headings: "THE DISTRICT," "ECONOMIC AND DEMOGRAPHIC INFORMATION," "INDEBTEDNESS OF THE DISTRICT," "FINANCES OF THE DISTRICT," "TAX INFORMATION" AND "LITIGATION" AND APPENDIX A.

(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 paragraph (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 **December 28, 2017**.

EAST HAMPTON UNION FREE SCHOOL DISTRICT

By_____

President of the Board of Education
and Chief Fiscal Officer