

PRELIMINARY OFFICIAL STATEMENT DATED MAY 30, 2018

**NEW ISSUE
SERIAL BONDS**

**BOOK-ENTRY-ONLY BONDS
RATING – MOODY’S INVESTOR SERVICE: “ ”
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 under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See “Tax Matters” herein.

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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the “District”)**

**\$24,234,568* SCHOOL DISTRICT SERIAL BONDS – 2018
(the “Bonds”)**

See Bond Maturity Schedule Herein

Security and Sources of Payment: 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.

Prior Redemption: The Bonds maturing on March 15, 2026 and thereafter are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date on or after March 15, 2025. (See “Optional Redemption” under “THE BONDS,” herein.)

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as the Securities Depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. Bondholders will not receive certificates representing their interests in the Bonds purchased. (See “Book-Entry-Only System” under “THE BONDS,” herein.)

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name.” Payment 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.)

Proposals for the Bonds will be received at 11:00 A.M. (Prevailing Time) on June 13, 2018 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 June 21, 2018 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”) EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE DATE THEREOF. FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

*Preliminary, subject to change.

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.

**BRIDGEHAMPTON UNIOIN FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

\$24,234,568* SCHOOL DISTRICT SERIAL BONDS - 2018

BOND MATURITY SCHEDULE

Dated: Date of Delivery

**Principal Due: March 15, 2019-2038, inclusive
Interest Due: September 15, 2018 and semi-annually
thereafter on March 15 and September 15
in each year to maturity**

<u>Amount**</u>	<u>Maturity</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP #</u>
\$ 44,568	March 15, 2019			
920,000	March 15, 2020			
955,000	March 15, 2021			
985,000	March 15, 2022			
1,015,000	March 15, 2023			
1,055,000	March 15, 2024			
1,090,000	March 15, 2025			
1,130,000	March 15, 2026***			
1,165,000	March 15, 2027***			
1,210,000	March 15, 2028***			
1,250,000	March 15, 2029***			
1,295,000	March 15, 2030***			
1,345,000	March 15, 2031***			
1,385,000	March 15, 2032***			
1,435,000	March 15, 2033***			
1,485,000	March 15, 2034***			
1,535,000	March 15, 2035***			
1,590,000	March 15, 2036***			
1,650,000	March 15, 2037***			
1,695,000	March 15, 2038***			

*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.

***Subject to prior redemption prior to maturity. (See "Optional Redemption" herein.)

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

2685 Montauk Highway
Bridgehampton, NY 11932
Telephone: 631/537-0271
Fax: 631/537-1030

BOARD OF EDUCATION

Ronald White, President
Lillian Tyree-Johnson, Vice President

Douglas Degroot
Michael Gomberg
Kathleen McClelland
Markanthony Verzosa
Jennifer Vinski

Robert Hauser, CPA, Superintendent of Schools
Melisa Stiles, School Business Administrator
Simone Sooklall, District Treasurer
Tammy Cavanaugh, District Clerk

School District Attorney

Thomas M. Volz, PLLC
Smithtown, New York

* * *

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.

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OFFICIAL STATEMENT

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

\$24,234,568* SCHOOL DISTRICT SERIAL BONDS – 2018

[BOOK-ENTRY ONLY BONDS]

This Official Statement and appendices hereto presents certain information relating to the Bridgehampton Union Free School District, in the County of Suffolk, in the State of New York (the "District", the "County" and the "State," respectively) in connection with the sale of \$24,234,568* School District Serial Bonds - 2018 (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 date of delivery, and will mature in the principal amounts on March 15 in each of the years 2019 to 2038, inclusive, as set forth on the inside cover page hereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable on September 15, 2018 and semiannually thereafter on March 15 and September 15 in each year to maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

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

The District will act as Paying Agent for the Bonds. Melisa Stiles, School Business Administrator, Bridgehampton Union Free School District, PO Box 3021, 2685 Montauk Highway, Bridgehampton, NY 11932, Phone (631) 998-1371, Fax (631) 537-9038 and email: mstiles@bridgehampton.k12.ny.us, shall be the paying agent contact.

Optional Redemption

The Bonds maturing on or before March 15, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on March 15, 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 March 15, 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

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The 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 facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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"). 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 use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not 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, except for one necessary odd denomination. 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 in accordance with the Constitution and statutes of the State of New York including the Education Law and the Local Finance Law to pay the cost of the construction of an addition, alterations and improvements at the Bridgehampton School, pursuant to a Bond Resolution duly adopted by the Board of Education of the District on January 18, 2017, following the approval of a proposition by a majority of the qualified voters of the District voting thereon at the Special District Meeting held on December 13, 2016. The total estimated cost of the project is \$24,734,568.

The proceeds of the Bonds will be used to redeem outstanding bond anticipation notes in the amount of \$1,000,000 and provide original funds in the amount of \$23,234,568 to finance such project as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Previously Issued</u>	<u>Amount Outstanding</u>	<u>Additional Amount to be Issued</u>	<u>Amount to be Issued</u>
12/13/2016	Construction of an addition, alterations and improvements	\$1,500,000	\$1,000,000	\$23,234,568	\$24,234,568

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

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 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. As the Bonds are being issued to finance and/or refinance voter-approved capital expenditures, the Bonds qualify for such exception to the Tax Levy Limit Law. (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, *Quirk 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.

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 Southampton. The District has a land area of approximately 9.3 square miles and a current estimated year-round population of 1,500.

The District provides educational services for grades PreK – 12 to District residents. In addition, the District educates students for grades 9 – 12 on a tuition basis from the Springs Union Free School District.

The District is an affluent residential community made up of mostly single-family dwellings. According to the 2016 U.S. Census, median housing values for the Town and Village of Southampton are well above County, State and U.S. averages.

The District is a popular summer resort area. With the Atlantic Ocean being the most southerly boundary of the District, and Sag Harbor being the northern boundary, residents and vacationers are afforded numerous recreational facilities including fishing, swimming and boating. County parks provide picnicking and camping activities and golf clubs are located within the District boundaries. The Main Street 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 Bridgehampton. Highways include New York State Route 27 and various County and Town roads. The Hampton Jitney provides bus transportation to surrounding communities and New York City.

District residents are provided gas and electric through PSEG Long Island and National Grid delivery. Water is furnished by Suffolk County Water Authority or by individual wells. Fire protection is furnished by local volunteer fire departments and police protection is provided by the Town of Southampton and the Suffolk County Police Department.

District Organization

The District is an independent entity governed by an elected board of education comprised of five members. District operations are subject to the provisions of the State 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 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, the District Treasurer and the School Business Administrator.

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2013-2014	155
2014-2015	163
2015-2016	182
2016-2017	192
2017-2018	187

Source: District Officials.

Projected Future Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2018-2019	200
2019-2020	202
2020-2021	202

Source: District Officials.

District Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Date of Last Addition</u>	<u>Capacity</u>
Bridgehampton School	K-12	1930	2011	459

Employees

The District provides services through approximately 74 employees, who are represented by the following units of organized labor.

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members^a</u>	<u>Employees</u>
Bridgehampton Teachers Association	6/30/2019	54	Teachers
Bridgehampton Non-Teaching Employees Association	6/30/2020	20	Other

a: Includes both full-time and part-time employees.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

Population statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Southampton. The following table sets forth population statistics for the County and the Town of Southampton.

<u>Year</u>	<u>Town of Southampton</u>	<u>Suffolk County</u>
2007	60,625	1,511,732
2008	61,116	1,513,435
2009	61,527	1,518,475
2010	56,790	1,493,350
2016	57,803	1,498,130

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
Town of Southampton	\$16,726	\$31,320	\$47,111	\$48,013
County of Suffolk	18,481	26,577	35,755	38,779
State of New York	16,501	23,389	30,948	34,212
	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
Town of Southampton	\$43,929	\$65,144	\$74,316	\$79,537
County of Suffolk	53,244	72,112	84,506	90,128
State of New York	39,741	51,691	55,603	60,741

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimates (2012-2016)

Selected Listing of Larger Employers in the Town of Southampton (As of 2017)

Largest employers are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Southampton.

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Southampton Hospital	Hospital	1,200
Town of Southampton	Local Government	517
Southampton UFSD	School District	424
Corcoran Group	Real Estate	350
Bridgehampton National Bank	Commercial Banks	245
Dunn Engineering	Engineering	100
Southampton Inn	Hotel	90
Maran Corporate Risk Associates	Insurance	93
Southampton Press	Newspaper	50
Hampton Coach	Limousine Service	50
Storms Motors	Automotive Dealer	40

Source: Division of Economic Development Town of Southampton.

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Town of Southampton (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2013	6.5	6.5	7.7
2014	5.6	5.3	6.4
2015	5.1	4.8	5.3
2016	4.6	4.3	4.8
2017	4.8	4.4	4.6
2018 (3 Month Average)	7.3	5.2	5.0

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 period of probable usefulness of the several objects or purpose for such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (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 has complied with such procedure with respect to 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 May 30, 2018)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Southampton (2017-2018) ^a	\$7,556,962,214	100	\$7,556,962,214
Debt Limit - 10% of Average Full Valuation			755,696,221
Inclusions: ^b			
Outstanding Bonds			480,000
Bond Anticipation Notes			<u>1,000,000</u>
Total Indebtedness			1,480,000
Exclusions (Estimated Building Aid) ^c			<u>148,000</u>
Total Net Indebtedness Before the Issuance of the Bonds			<u>1,332,000</u>
The Bonds			24,234,568
Less: BANs to be Redeemed by the Issuance of the Bonds			<u>1,000,000</u>
Net Effect of the Notes			23,234,568
Total Indebtedness After the Issuance of the Bonds			24,566,568
Net Debt Contracting Margin			<u><u>\$731,129,653</u></u>
Per Cent of Debt Contracting Margin Exhausted			3.25%

- 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 bond anticipation notes outstanding in the amount of \$1,000,000, which will be redeemed with proceeds from the issuance of the Bonds. The District also has \$4,500,000 in tax anticipation notes outstanding which mature on June 27, 2018.

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	\$150,000	\$14,006	\$164,006
2019	155,000	11,006	166,006
2020	160,000	7,519	167,519
2021	165,000	3,919	168,919
Totals	<u>\$630,000</u>	<u>\$36,450</u>	<u>\$666,450</u>

a. Does not reflect payments made to date.

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
2013	\$3,300,000	TAN	09/24/13	06/26/14
2014	3,900,000	TAN	09/09/14	06/25/15
2015	4,300,000	TAN	09/10/15	06/28/16
2016	4,700,000	TAN	09/13/16	06/27/17
2017	4,500,000	TAN	09/19/17	06/27/18

Authorized and Unissued Debt

As of the date of this Official Statement, the District has \$23,234,568 in authorized but unissued debt to pay the cost of the construction of an addition, alterations and improvements at the Bridgehampton School, pursuant to a Bond Resolution duly adopted by the Board of Education of the District on January 18, 2017, following the approval of a proposition by a majority of the qualified voters of the District voting thereon at the Special District Meeting held on December 13, 2016. The total estimated cost of the project is \$24,734,568. The issuance of the Bonds in the amount of \$24,234,568 will be used to finance said project.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	03/21/18	2.21%	\$53,283,627	\$28,066,437
Town of Southampton	05/24/18	10.68%	11,954,658	10,160,404
Fire Districts (Est.)	12/31/16	Var.	0	0
Totals			<u>\$65,238,285</u>	<u>\$38,226,841</u>

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 May 30, 2018)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$1,480,000	\$1,454	0.020
Net Direct Debt	1,332,000	1,308	0.018
Total Direct & Applicable Total Overlapping Debt	66,718,285	65,539	0.883
Net Direct & Applicable Net Overlapping Debt	39,558,841	38,859	0.523

- a. The current estimated population of the District is 1,018.
b. The full valuation of taxable real property in the District for 2017-18 is \$7,556,962,214.

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.

Investment Policy

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, school lunch fund and special purpose fund. In addition, a capital projects fund is used to record capital facility projects, while an 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 15, 2018, a majority of the voters of the District approved the District's budget for the 2018-2019 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2017-2018 and 2018-2019 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 amounts of the District’s General Fund revenue comprised of State aid for each of the fiscal years 2013 through 2017, inclusive and the amounts budgeted for the 2018 and 2019 fiscal year.

Fiscal Year Ending <u>June 30:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid To <u>Revenues (%)</u>
2013	\$10,816,174	\$574,303	5.31
2014	10,797,574	512,134	4.74
2015	12,326,036	676,377	5.49
2016	12,256,681	629,959	5.14
2017	13,307,225	698,757	5.25
2018 (Budgeted) ^a	14,356,463	744,435	5.19
2019 (Budgeted) ^a	16,297,465	781,448	4.79

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). The District received STAR aid in January, 2018.

The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2012 to 2018 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State’s 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. Although the State’s 2018-2019 Budget was adopted on March 30, 2018, in advance of the April 1 deadline, the State’s 2017-2018 Budget was adopted on April 9, 2017, a delay of approximately 8 days. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State’s 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State’s income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State’s 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State’s 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

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

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

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

State aid to school districts in the State has declined in some 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 State's 2014-2015 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 State's 2014-2015 Budget restored \$602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 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 State’s 2016-2017 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 State’s 2016-2017 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 State’s 2017-2018 Budget provided 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 were 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 State’s 2017-18 Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2018-2019): The State’s 2018-2019 Enacted Budget provides for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 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 5.2% and building aid increased by 4.7%. The State 2018-2019 Enacted Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

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 State’s 2016-2017 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 \$66,656.

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: 23.3%). 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 November 3, 2017. The purpose of the audit was to examine the claims auditing process for the period July 1, 2015 through February 28, 2017. The complete report may be found on the State Comptroller’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. 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.

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 21 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 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.

As of June 30, 2017, SCO is effectively terminated. Each employer who elected to participate in the plan has opted out. Employers who participated in the SCO will resume paying the Employer Contribution Rate (“ECR”) as well as any outstanding deferred contributions plus interest.

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

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2013	\$548,050	\$149,575
2014	747,574	130,450
2015	847,194	123,697
2016	675,065	155,950
2017	619,652	131,516
2018 (Budgeted)	594,047	145,000

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.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ending June 30, 2017:</u>
Annual required contribution (ARC)	\$1,298,974
Interest on net OPEB obligation	268,774
Less: Adjustments to ARC	(403,323)
Annual OPEB cost (expense)	<u>1,164,425</u>
Less: Contributions made	<u>(344,576)</u>
Increase in net OPEB obligation	819,849
Net OPEB obligation-beginning of year	<u>7,679,265</u>
Net OPEB obligation-end of year	<u><u>\$8,499,114</u></u>

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$1,164,425	30.0	\$8,499,114
June 30, 2016	1,305,408	25.4	7,679,265
June 30, 2015	1,317,028	25.0	6,705,108

In some recent years, 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 Southampton. 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 for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the amount 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, inclusive and for the amounts budgeted for the 2018 and 2019 fiscal years.

Fiscal Year <u>Ending June 30:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2013	\$10,816,174	\$ 9,399,810	86.91
2014	10,797,574	9,616,973	89.07
2015	12,326,036	10,653,159	86.43
2016	12,256,681	10,975,797	89.55
2017	13,307,225	11,934,750	89.69
2018 (Budgeted) ^a	14,356,463	12,623,558	87.93
2019 (Budgeted) ^a	16,297,465	14,355,231	88.08

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

The Town Tax Receiver distributes the collected tax money to the Town, 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 (such as the Bonds) and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

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 12% of the District's 2017-2018 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 12% of the District's 2018-2019 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 2019. (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 Limit 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 Limit 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 Limit 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 Limit Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limit Law. 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 Limit Law.

Valuations, Rates, Levies and Collections

The following table sets forth District’s assessed and full valuations, tax rates and levies for each of the years 2014 through 2018, inclusive and for the amount budgeted for the 2018 fiscal year.

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Assessed</u> <u>Valuation</u>	<u>State Equal.</u> <u>Rate (%)</u>	<u>Full Valuation</u>	<u>Tax Rate</u> <u>Per \$1,000</u> <u>Assessed</u> <u>Valuation</u>	<u>Tax Levy</u>
2013	\$6,197,181,877	100.00	\$6,197,181,877	1.55	\$9,399,810
2014	6,337,754,748	100.00	6,337,754,748	1.67	9,616,673
2016	6,628,405,059	100.00	6,628,405,059	1.66	10,971,437
2017	7,070,721,469	100.00	7,070,721,469	1.69	11,933,256
2018	7,556,962,214	100.00	7,556,962,214	1.67	12,595,945

Selected Listing of Large Taxable Properties
2017 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
311 Surfside, LLC.	Commercial	\$35,961,800
Resident	Residential	33,230,151
A&E Club Properties, LLC.	Commercial	32,448,900
125 Mid Ocean Drive, LLC.	Commercial	30,475,100
Resident	Residential	29,513,900
43 Surfside, LLC.	Commercial	26,299,700
Surfside Drive 263, LLC.	Commercial	26,154,700
Hampton Highland, LLC.	Commercial	25,569,400
CVR First, LLC.	Commercial	24,572,700
Camp Farrell, LLC.	Commercial	23,155,200
Resident	Residential	22,468,400
Resident	Residential	21,950,000
377 Jobs, LLC.	Commercial	21,491,700
Resident	Residential	21,212,100
1251 Ocean Road, LLC.	Commercial	21,126,800
	Total ^a	<u>\$395,630,551</u>

a. Represents 5.24% of the 2017-18 assessed valuation of \$7,556,962,214.

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.

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. To mitigate the risks of impact on the District operations and/or damage from cyber incidents or cyber-attacks, the District has invested in cybersecurity and other operational controls. While the District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

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 a part of the Bonds prior to 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*” under “FINANCIAL INFORMATION” 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*” under “TAX INFORMATION” 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.

Cybersecurity

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

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 under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. 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 as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of 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.

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 will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix C hereto.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Bonds 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 an “Undertaking to Provide Continuing Disclosure”, substantially in the form of which is attached hereto as Appendix D.

DISCLOSURE COMPLIANCE HISTORY

The limited disclosure agreement executed by the District in connection with the issuance of its School District Serial Bonds – 2011 required the District to annually file with EMMA its audited financial statements and its operating budgets. The audited financial statements for the fiscal years ending June 30, 2013 through and including June 30, 2017 were filed on time.

RATING

The District has applied to Moody’s Investors Service (“Moody’s”), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, for a rating on the Bonds. Such application is pending at this time. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody’s. 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 effect on the market price of the outstanding bonds and notes or the availability of a secondary market for such bonds and notes.

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 Melisa Stiles, School Business Administrator, Bridgehampton Union Free School District, PO Box 3021, 2685 Montauk Highway, Bridgehampton, NY 11932, Phone (631) 998-1371, Fax (631) 537-9038 and email: mstiles@bridgehampton.k12.ny.us. 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 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 RONALD WHITE
President of the Board of Education
Bridgehampton Union Free School District
Bridgehampton, New York

May , 2018

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 9,399,810	\$ 9,616,973	\$ 10,601,829	\$ 10,975,797	\$ 11,934,750
Other Tax Items	58,936	59,415	57,164	57,038	56,961
Charges for Services	708,760	551,034	509,172	547,231	537,205
Use of Money and Property	3,138	3,809	2,251	1,911	12,479
Sale of Property & Compensation for Loss	2,300	201			
Miscellaneous	68,927	54,008	126,494	44,745	67,073
State Sources	<u>574,303</u>	<u>512,134</u>	<u>580,510</u>	<u>629,959</u>	<u>698,757</u>
Total Revenues	<u>10,816,174</u>	<u>10,797,574</u>	<u>11,877,420</u>	<u>12,256,681</u>	<u>13,307,225</u>
Expenditures:					
General Support	1,696,059	1,730,789	1,683,885	1,767,976	1,804,004
Instruction	5,392,613	5,500,564	5,741,124	6,315,703	6,692,077
Pupil Transportation	399,058	413,783	386,535	457,860	519,659
Community Services	21,548	21,871	22,199	22,532	22,932
Employee Benefits	2,477,620	2,544,805	2,837,776	2,941,910	2,838,882
Debt Service	<u>177,433</u>	<u>172,898</u>	<u>177,463</u>	<u>187,485</u>	<u>214,403</u>
Total Expenditures	<u>10,164,331</u>	<u>10,384,710</u>	<u>10,848,982</u>	<u>11,693,466</u>	<u>12,091,957</u>
Excess (Deficit) Revenues Over Expenditures	651,843	412,864	1,028,438	563,215	1,215,268
Other Financing Sources (Uses)					
Interfund Transfers In		797		2,702	425,515
Interfund Transfers Out	<u>(400,393)</u>	<u>(1,184,019)</u>	<u>(375,357)</u>	<u>(368,038)</u>	<u>(363,363)</u>
Total Other Financing Sources	<u>(400,393)</u>	<u>(1,183,222)</u>	<u>(375,357)</u>	<u>(365,336)</u>	<u>62,152</u>
Net Change In Fund Equity	251,450	(770,358)	653,081	197,879	1,277,420
Fund Balance Beginning of Fiscal Year	<u>2,685,561</u>	<u>2,937,011</u>	<u>2,166,653</u>	<u>2,819,734</u>	<u>3,017,613</u>
Fund Balance End of Fiscal Year	<u>\$ 2,937,011</u>	<u>\$ 2,166,653</u>	<u>\$ 2,819,734</u>	<u>\$ 3,017,613</u>	<u>\$ 4,295,033</u>

Sources: Audited Financial Reports of the District

Note: This Schedule is NOT audited.

Balance Sheet - General Fund

Fiscal Year Ended June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS:			
Cash - Restricted	\$ 1,817,763	\$ 2,002,186	\$ 2,826,848
Cash - Unrestricted	1,629,623	1,672,832	825,577
Receivables:			
State & Federal Aid Receivable	27,658	28,099	28,145
Due From Other Funds	150,641	158,720	1,227,111
Due From Other Governments	409,357	473,768	416,281
Other Receivables	<u>2,787</u>	<u>3,115</u>	<u>765</u>
 Total Assets	 \$ <u>4,037,829</u>	 \$ <u>4,338,720</u>	 \$ <u>5,324,727</u>
 LIABILITIES:			
Accounts Payable	215,502	279,841	165,707
Accrued Liabilities	16,915	138,451	60,655
Due to Teachers' Retirement System	842,193	714,457	665,967
Due to Employees' Retirement System	40,259	35,955	36,884
Due to Other Funds		5,796	
Due to Other Governments	93,915	71,103	18,697
Compensated Absences Payable		61,404	62,956
Collections in Advance	<u>9,311</u>	<u>14,100</u>	<u>18,828</u>
 Total Liabilities	 <u>1,218,095</u>	 <u>1,321,107</u>	 <u>1,029,694</u>
 FUND EQUITY:			
Nonspendable			
Restricted	\$ 1,817,763	\$ 2,002,186	\$ 3,252,363
Assigned	491,001	464,775	468,403
Unassigned	<u>510,970</u>	<u>550,652</u>	<u>574,267</u>
 Total Fund Equity	 <u>2,819,734</u>	 <u>3,017,613</u>	 <u>4,295,033</u>
 Total Liabilities and Fund Equity	 \$ <u>4,037,829</u>	 \$ <u>4,338,720</u>	 \$ <u>5,324,727</u>

Source: Audited Financial Reports of the District.

Note: This Schedule is NOT audited.

Budget Summaries

	<u>2018-19(a)</u>	<u>2017-18(b)</u>
Revenues:		
Real Property Taxes	\$ 14,355,231	\$ 12,623,558
State Aid	781,448	744,435
Admissions	131,500	152,500
Health Services	150,000	175,000
Interest Earnings	10,000	2,000
Miscellaneous Items	250,550	258,970
ERS Reserves	160,000	0
Workers Comp Reserve	14,736	0
Unemployment Reserve	44,000	0
Appropriated Fund Balance	<u>400,000</u>	<u>400,000</u>
Total	<u>\$ 16,297,465</u>	<u>\$ 14,356,463</u>
Expenditures:		
General Support	\$ 1,986,324	\$ 1,981,997
Instruction	8,424,865	7,745,913
Pupil Transportation	719,703	711,180
Community Service	23,682	22,870
Miscellaneous	<u>5,142,891</u>	<u>3,894,503</u>
Total	<u>\$ 16,297,465</u>	<u>\$ 14,356,463</u>

(a) Approved by the voters of the District on 5/15/18

(b) Approved by the voters of the District on 5/16/17

BRIDGEHAMPTON 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.



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**
June 30, 2017

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Bridgehampton Union Free School District
Bridgehampton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Bridgehampton Union Free School District (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 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 Bridgehampton Union Free School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension liability (asset), and District's pension contributions on pages 1 through 15 and 55 through 59, respectively, 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 Bridgehampton Union Free School District's basic financial statements. The other supplementary information on pages 60 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017 on our consideration of the Bridgehampton Union Free School 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 Bridgehampton Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 15, 2017

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The following is a discussion and analysis of the Bridgehampton 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

Key financial highlights for fiscal year 2017 are as follows:

- On the District-Wide Financial Statements revenues increased by 9.07% primarily due to increased real property taxes.
- On the District-Wide Financial Statements expenses increased by 14.38%, predominately in instruction expense.
- The District's total net position, as reflected in the District-Wide Financial Statements, decreased by \$302,137 as expenditures of \$13,921,753 exceeded revenues of \$13,619,616 primarily due to an increase in instructional costs exceeding an increase in property taxes.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,277,420. This was due to an excess of revenues and other financing sources over expenditures and other financing uses based on the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$574,267. This represents an increase of \$23,615 over the prior year.
- The general fund budget for the 2016-2017 school year was approved by the voters in the amount of \$13,778,439. This is an increase of \$960,094 or 7.49% over the previous year's budget. The increase was primarily due to an increase in personnel costs.

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 other 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.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- 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 Financial 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 Fund Financial 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

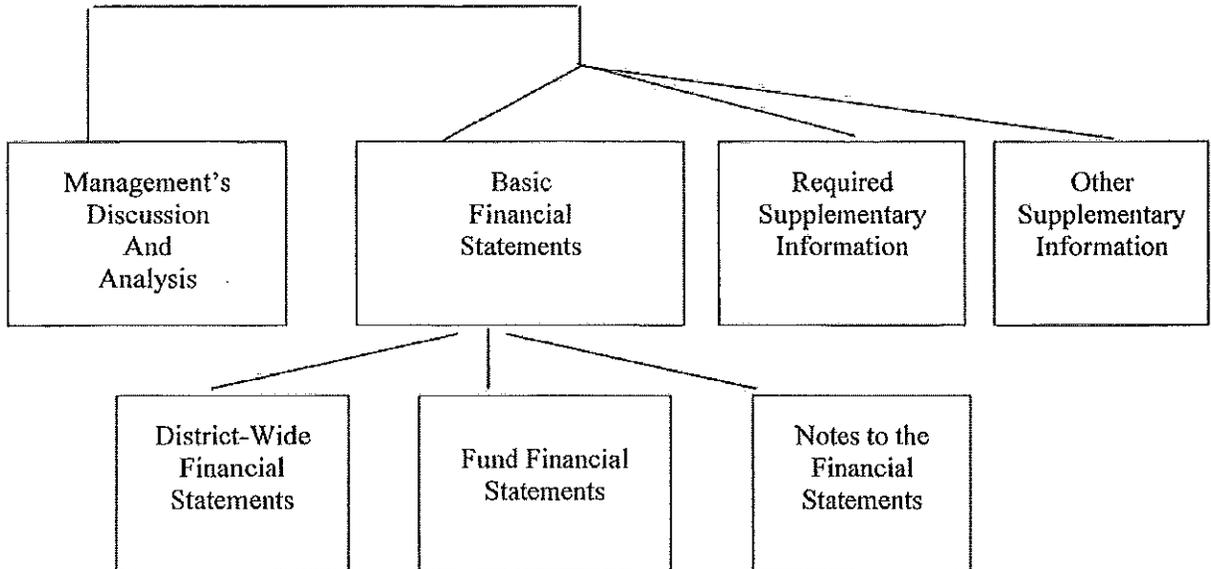


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

	District-Wide Financial 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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A) District-Wide Financial Statements:

The District-Wide Financial 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 and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. 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 Financial Statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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 as 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.

District-Wide Financial 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 Net 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;*

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- *Restricted net position* 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; and
- *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 Financial 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 Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school food service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *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 position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's total net position decreased by \$302,137 between fiscal year 2017 and 2016. A summary of the District's Statements of Net Position follows:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Percentage Change
Current assets and other assets	\$ 6,501,028	\$ 5,064,068	\$ 1,436,960	28.38%
Capital assets, net of accumulated depreciation	4,629,733	4,499,485	130,248	2.89%
Net pension asset - proportionate share	-	3,229,012	(3,229,012)	-100.00%
Total assets	<u>11,130,761</u>	<u>12,792,565</u>	<u>(1,661,804)</u>	<u>-12.99%</u>
Deferred outflows of resources	3,689,515	1,237,640	2,451,875	198.11%
Total assets and deferred outflows of resources	<u>\$ 14,820,276</u>	<u>\$ 14,030,205</u>	<u>\$ 790,071</u>	<u>5.63%</u>
Current liabilities	\$ 2,587,480	\$ 1,404,611	\$ 1,182,869	84.21%
Long-term liabilities	10,836,009	10,036,382	799,627	7.97%
Total liabilities	<u>13,423,489</u>	<u>11,440,993</u>	<u>1,982,496</u>	<u>17.33%</u>
Deferred inflows of resources	311,050	1,201,338	(890,288)	-74.11%
Total liabilities and deferred inflows of resources	<u>13,734,539</u>	<u>12,642,331</u>	<u>1,092,208</u>	<u>8.64%</u>
Net Position				
Net investment in capital assets	3,428,789	3,719,485	(290,696)	-7.82%
Restricted	3,252,363	2,455,549	796,814	32.45%
Unrestricted (Deficit)	<u>(5,595,415)</u>	<u>(4,787,160)</u>	<u>(808,255)</u>	<u>-16.88%</u>
Total net position	<u>1,085,737</u>	<u>1,387,874</u>	<u>(302,137)</u>	<u>-21.77%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,820,276</u>	<u>\$ 14,030,205</u>	<u>\$ 790,071</u>	<u>5.63%</u>

Current assets and other assets increased \$1,436,960 over the prior year, primarily due to increases in cash.

Capital assets, net of depreciation increased by \$130,248, due to current year district-wide capital projects and purchases of equipment, net of depreciation expense.

Net pension asset - proportionate share decreased by \$3,229,012 due to fluctuations in the actuarially determined net pension asset of the Teachers' Retirement System ("TRS"). These changes result from several factors including differences between expected and actual experience, changes in the assumptions related to the pension plan, net difference between

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

projected and actual investment earnings on pension plan investments, and any change in the District's proportionate share to the plan as a whole.

Deferred outflows of resources increased by \$2,451,875, due to actuarial adjustments at the plan level that will be amortized in future years and contributions to the State retirement plans subsequent to the measurement date.

Current liabilities increased by \$1,182,869. This was primarily attributable to the addition of a bond anticipation note payable, offset by decreases in accounts payable, accrued liabilities, due to other governments, and due to teachers' retirement system.

Long-term liabilities increased by \$799,627, which was primarily attributable to increases in the District's net other postemployment benefits obligation and net pension liability - proportionate share, offset by decreases in bonds payable and compensated absences payable.

Deferred inflows of resources decreased by \$890,288 due to actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & building improvements, site improvements, furniture & equipment and vehicles, net of depreciation and related debt. This number decreased from the prior year by \$290,696 primarily due to an increase in capital assets, net of depreciation reduced by the issuance of a bond anticipation note.

The restricted net position at June 30, 2017, relates to the District's reserves and restricted amounts. Restricted net position increased by \$796,814 due to \$350,000 transferred to the employee benefit accrued liability reserve, \$446,238 transferred to the retirement reserve, \$174,536 transferred to the capital reserve and interest allocated to the reserves of \$6,538, offset by usage of the reserves of \$152,649 during the year.

The unrestricted net deficit at June 30, 2017, relates to the balance of the District's net position. The unrestricted net deficit increased by \$808,255 to \$5,595,415.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 is as follows:

Table A-4: Change in Net Position

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$573,782	\$587,275	(\$13,493)	(2.30%)
Operating grants	275,814	190,220	85,594	45.00%
General Revenues				
Property taxes & other tax items	11,991,711	11,032,835	958,876	8.69%
State sources	698,757	629,959	68,798	10.92%
Other	79,552	46,656	32,896	70.51%
Total Revenues	13,619,616	12,486,945	1,132,671	9.07%
Expenses				
General support	\$2,222,328	\$2,212,980	\$9,348	0.42%
Instruction	10,843,334	9,220,540	1,622,794	17.60%
Pupil transportation	547,545	481,644	65,901	13.68%
Community service	36,319	33,805	2,514	7.44%
Debt service - interest	63,528	41,851	21,677	51.80%
Food service program	208,699	180,756	27,943	15.46%
Total Expenses	13,921,753	12,171,576	1,750,177	14.38%
Total Change in Net Position	(\$302,137)	\$315,369	(\$617,506)	(195.80%)

For the fiscal year ending June 30, 2017, the District recognized a decrease in Net Position of \$302,137 due to overall expenses exceeding revenues.

The District's fiscal year 2017 revenues totaled \$13,619,616 (See Table A-4). Property taxes and other tax items and state aid accounted for most of the District's revenue by contributing 87.63% and 5.13%, respectively of total revenue (See Table A-5). The remainder came from charges for services, operating grants, and other miscellaneous sources. Total revenues increased by \$1,132,671 or 9.07%. This was attributable to increased real property taxes, state formula aid, operating grants and other revenues, offset by a decrease in charges for services.

The federal and state governments subsidized certain programs with grants of \$275,814 in fiscal year 2017 as compared to \$190,220 in the prior year.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The cost of all programs and services totaled \$13,921,753 for fiscal year 2017. These expenses are predominantly related to instruction, which account for 77.89% of District expenses (See Table A-6). The District's general support activities accounted for 15.96% of total costs. Total expenses increased by \$1,750,177 or 14.38%.

The District's net costs of \$13,072,157 were financed by real property tax revenues, state aid and other revenues.

Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)

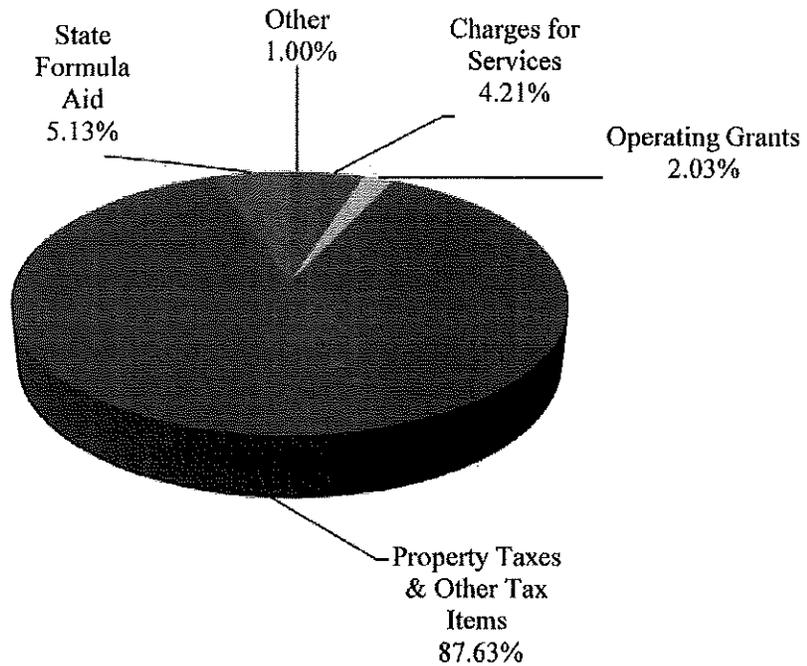
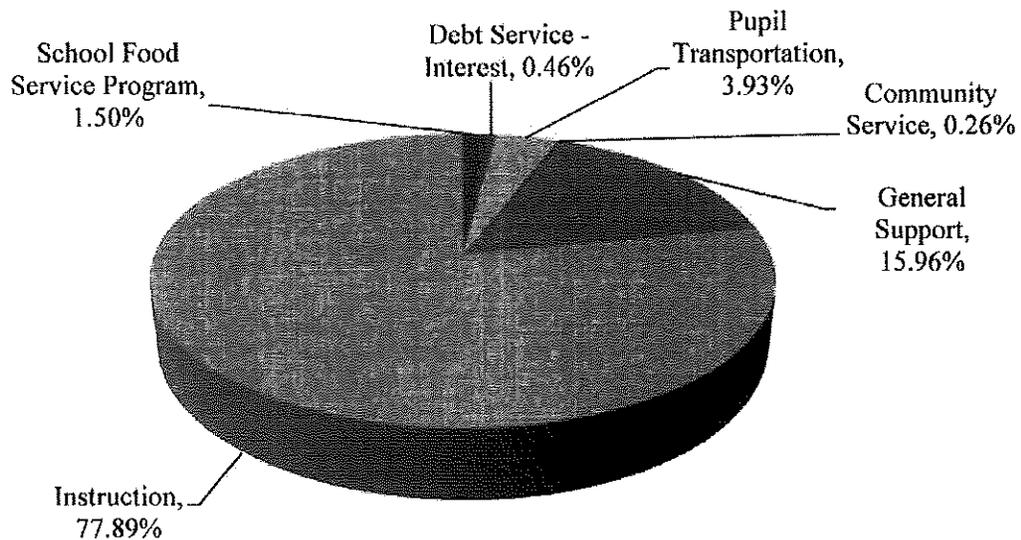


Table A-6: Expenses for Fiscal Year 2017 (See Table A-4)

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



C) Governmental Activities:

Revenues for the District's governmental activities totaled \$13,619,616, while total expenses equaled \$13,921,753. The decrease in net position for governmental activities was \$302,137 and is mainly attributed to other postemployment benefits expense and pension costs.

Despite a decrease in net position, 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;
- Approval of the District's proposed annual budget;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES);

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variations between years for the Governmental Fund Financial Statements are not the same as variations 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 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 \$3,744,088, which is an increase of \$247,486 over the prior year.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Table A-7: A summary of the changes in fund balance for all funds are as follows:

	2017	2016	(Decrease)	Change
General Fund				
Restricted for workers' compensation	\$146,760	\$167,843	(\$21,083)	(12.56%)
Restricted for unemployment insurance	184,551	183,888	663	0.36%
Restricted for retirement contribution	809,586	493,088	316,498	64.19%
Restricted for employee benefit accrued liability	793,899	442,305	351,594	79.49%
Restricted for capital	1,275,000	672,525	602,475	89.58%
Restricted for repairs	42,567	42,537	30	0.07%
Assigned for general support	37,232	46,107	(8,875)	(19.25%)
Assigned for instructional	28,483	16,961	11,522	67.93%
Assigned for employee benefits	2,688	1,707	981	57.47%
Assigned - designated for subsequent year's expenditures	400,000	400,000	-	0.00%
Unassigned	574,267	550,652	23,615	4.29%
Total Fund Balance - General Fund	<u><u>\$4,295,033</u></u>	<u><u>\$3,017,613</u></u>	<u><u>\$1,277,420</u></u>	42.33%
School Food Service Fund				
Nonspendable	\$659	\$698	(\$39)	(5.59%)
Assigned	19,340	24,928	(5,588)	(22.42%)
Total Fund Balance - School Food Service Fund	<u><u>\$19,999</u></u>	<u><u>\$25,626</u></u>	<u><u>(\$5,627)</u></u>	(21.96%)
Capital Projects Fund				
Restricted	\$0	\$453,363	(\$453,363)	(100.00%)
Unassigned	(570,944)	-	(570,944)	100.00%
Total Fund Balance - Capital Projects Fund	<u><u>(\$570,944)</u></u>	<u><u>\$453,363</u></u>	<u><u>(\$1,024,307)</u></u>	(225.94%)
Total Fund Balance - All Funds	<u><u>\$3,744,088</u></u>	<u><u>\$3,496,602</u></u>	<u><u>\$247,486</u></u>	7.08%

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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A) General Fund

The net change in the general fund – fund balance is an increase of \$1,277,420, which is the result of revenues and other sources in excess of expenditures and other uses.

Revenues and other financing sources increased \$1,473,357, compared to the prior year, which is due primarily to increased property taxes, state aid and other financing sources.

Expenditures and other financing uses increased \$393,816 compared to the prior year, which is primarily due to increased instructional costs and pupil transportation, offset by a decrease in employee benefits in the current year.

B) School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$5,627. This decrease is primarily due to an operating loss, offset by a transfer of \$100,000 from the general fund.

C) Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$1,024,307. This decrease was due to current year capital project expenditures and an interfund transfer to the general fund of the existing capital reserve balance as approved by the voters on May 16, 2017 for the funding of the geothermal and other capital reserve offset, by budgetary transfers of \$250,000 from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2016-17 Budget:

The District's general fund adopted budget for the year ended June 30, 2017 was \$13,778,439. This amount was increased by encumbrances carried forward from the prior year in the amount of \$64,775, which resulted in a final budget of \$13,843,214. The majority of the funding was property taxes and STAR revenues of \$11,960,973.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 assignments 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 is as follows:

Opening, unassigned fund balance	\$ 550,652
Revenues over budget	547,551
Expenditures and encumbrances under budget	1,319,491
Unused appropriated reserves	(40,601)
Allocation to reserves	(1,402,826)
Assigned - appropriated for June 30, 2018	(400,000)
Closing, unassigned fund balance	<u>\$ 574,267</u>

The revenues over budget in the amount of \$547,551 were primarily attributable to an operating transfer from the capital fund offset by lower than budgeted state aid (see Required Supplemental Information for detail).

The expenditures and encumbrances under budget in the amount of \$1,319,491 were primarily attributable to the following expenditures: general support, instructional, and employee benefits (see Required Supplemental Information for detail).

The net change to reserves was as a result of:

- Employee benefit accrued liability reserve net increase was \$351,594 as a result of the District funding the reserve in the amount of \$350,000 and interest allocated to the reserve of \$1,594.
- Unemployment reserve net increase was \$663 as a result of interest allocated to the reserve.
- Workers' compensation reserve net decrease was \$21,083, as a result of the use of the budgetary appropriation of \$21,033, net of interest allocated to the reserve of \$50.
- Retirement contribution reserve net increase was \$316,498, as a result of the District funding the reserve in the amount of \$446,237 and interest allocated to the reserve of \$1,777, net of the use of the reserve in the amount of \$131,516.
- Capital reserve increase of \$602,475 is a result of transfers to the reserve of \$600,051, and interest of \$2,424 allocated to the reserve.
- Repairs reserve increase of \$30 is a result of interest allocated to the reserve.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The closing unassigned fund balance represents the fund balance retained by the District that is not reserved or appropriated for subsequent year's taxes. This amount is 4.0% of the 2017-2018 budget.

The changes in fund balance 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 fiscal year 2017. A summary of the District's capital assets, net of depreciation is as follows:

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

Category	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Land	\$278,150	\$278,150	-	0.00%
Construction in progress	570,944	44,383	526,561	1186.40%
Buildings & building improvements	5,676,526	5,966,699	(290,173)	(4.86%)
Site improvements	415,936	323,174	92,762	28.70%
Furniture & equipment	522,023	505,505	16,518	3.27%
Vehicles	24,721	24,721	-	0.00%
Subtotal	<u>7,488,300</u>	<u>7,142,632</u>	<u>345,668</u>	4.84%
Less: Accumulated Depreciation	<u>2,858,567</u>	<u>2,643,147</u>	<u>215,420</u>	8.15%
Total Net Capital Assets	<u>\$4,629,733</u>	<u>\$4,499,485</u>	<u>\$130,248</u>	2.89%

The District had invested in a broad range of capital assets. The net increase in capital assets is due to capital additions and reclassifications amounting to \$387,579 and a loss on disposal of capital assets of \$4,214 in excess of depreciation of \$253,117 recorded for the year ended June 30, 2017.

B) Long-Term Debt:

At June 30, 2017, the District had total bonds payable of \$630,000. See accompanying Notes to Financial Statements, Note 12 "Long-Term Liabilities" for additional information.

A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	2017	2016	Increase (Decrease)
Serial bond	\$630,000	\$780,000	(\$150,000)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- On September 19, 2017, the District issued tax anticipation notes in the amount of \$4,500,000, which are due June 27, 2018 and bears a net interest rate of 1.0999%.
- On December 13, 2016, the voters approved a bond issue not to exceed \$24,734,568 for facilities expansion and improvement. As of June 30, 2017, debt in the amount of \$1,500,000 in Bond Anticipation Notes has been issued. Work has commenced and expenditures are recorded in the capital projects fund.
- The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the rate of inflation to June 15, 2020. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is not within the District's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.
- The 2017-2018 budget is impacted by certain trends affecting school districts. These include increases in retirement contributions, health insurance costs, workers' compensation judgments, and potential unemployment insurance claims, which are beyond the District's control.
- On May 16, 2017, the proposed 2017-2018 budget in the amount of \$14,356,463 was authorized by 58% of the District's residents that voted. The 5.54% levy was equal to the tax levy cap and did not require an override vote.

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:

Bridgehampton Union Free School District
Mr. Robert Hauser
Business Administrator
2685 Montauk Highway
Bridgehampton, New York 11932
(631) 537-0271

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Cash	
Restricted	\$ 4,181,419
Unrestricted	1,562,079
Receivables	
State and federal aid	166,165
Due from other governments	416,281
Accounts receivable	880
Inventories	659
Other assets	173,545
Capital assets, net	
Capital assets, not being depreciated	849,094
Capital assets being depreciated, net of accumulated depreciation	<u>3,780,639</u>
TOTAL ASSETS	<u>11,130,761</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>3,689,515</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,820,276</u>
LIABILITIES	
Payables	
Accounts payable	\$ 196,030
Accrued liabilities	60,973
Accrued interest payable	4,085
Due to other governments	18,697
Due to teachers' retirement system	665,967
Due to employees' retirement system	36,884
Bond anticipation note payable	1,500,000
Compensated absences payable	62,956
Unearned Credits	
Collections in advance	41,888
Long-term liabilities	
Due and payable within one year	
Bonds payable	150,000
Compensated absences payable	65,000
Due and payable after one year	
Bonds payable	480,000
Workers' compensation liabilities	90,485
Compensated absences payable	827,549
Net pension liability - proportionate share	723,861
Net other postemployment benefits obligation	<u>8,499,114</u>
TOTAL LIABILITIES	<u>13,423,489</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>311,050</u>
NET POSITION	
Net investment in capital assets	<u>3,428,789</u>
Restricted	
Workers' compensation	146,760
Unemployment insurance	184,551
Retirement contribution	809,586
Employee benefit accrued liability	793,899
Capital	1,275,000
Repairs	<u>42,567</u>
	<u>3,252,363</u>
Unrestricted (Deficit)	<u>(5,595,415)</u>
TOTAL NET POSITION	<u>1,085,737</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,820,276</u>

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS / PROGRAMS				
General support	\$ (2,222,328)	\$ -	\$ -	\$ (2,222,328)
Instruction	(10,843,334)	537,205	200,867	(10,105,262)
Pupil transportation	(547,545)			(547,545)
Community services	(36,319)			(36,319)
Debt service - interest	(63,528)			(63,528)
Food service program	(208,699)	36,577	74,947	(97,175)
TOTAL FUNCTIONS AND PROGRAMS	\$ (13,921,753)	\$ 573,782	\$ 275,814	(13,072,157)
 GENERAL REVENUES				
Real property taxes				11,934,750
Other tax items - including STAR reimbursement				56,961
Use of money & property				12,479
Miscellaneous				67,073
State sources				698,757
TOTAL GENERAL REVENUES				12,770,020
 CHANGE IN NET POSITION				(302,137)
 TOTAL NET POSITION - BEGINNING OF YEAR				1,387,874
 TOTAL NET POSITION - END OF YEAR				\$ 1,085,737

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

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Restricted	\$ 2,826,848	\$ -	\$ -	\$ 1,354,571	\$ 4,181,419
Unrestricted	825,577	113,037	56,515	566,950	1,562,079
Receivables					
State and federal aid	28,145	133,447	4,573		166,165
Due from other governments	416,281				416,281
Due from other funds	1,227,111				1,227,111
Accounts receivable	765		115		880
Inventories			659		659
TOTAL ASSETS	<u>\$ 5,324,727</u>	<u>\$246,484</u>	<u>\$ 61,862</u>	<u>\$ 1,921,521</u>	<u>\$ 7,554,594</u>
LIABILITIES					
Payables					
Accounts payable	\$ 165,707	\$ 410	\$ -	\$ 29,913	\$ 196,030
Accrued liabilities	60,655		318		60,973
Due to other governments	18,697				18,697
Due to other funds		224,411	40,148	962,552	1,227,111
Due to teachers' retirement system	665,967				665,967
Due to employees' retirement system	36,884				36,884
Bond anticipation note payable				1,500,000	1,500,000
Compensated absences payable	62,956				62,956
Unearned credits					
Collections in advance	18,828	21,663	1,397		41,888
TOTAL LIABILITIES	<u>1,029,694</u>	<u>246,484</u>	<u>41,863</u>	<u>2,492,465</u>	<u>3,810,506</u>
FUND BALANCES					
Nonspendable: inventory			659		659
Restricted					
Workers' compensation	146,760				146,760
Unemployment insurance	184,551				184,551
Retirement contribution	809,586				809,586
Employee benefit accrued liability	793,899				793,899
Capital	1,275,000				1,275,000
Repairs	42,567				42,567
Assigned					
Appropriated	400,000				400,000
Unappropriated	68,403		19,340		87,743
Unassigned	574,267			(570,944)	3,323
TOTAL FUND BALANCES (DEFICIT)	<u>4,295,033</u>	<u>-</u>	<u>19,999</u>	<u>(570,944)</u>	<u>3,744,088</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,324,727</u>	<u>\$246,484</u>	<u>\$ 61,862</u>	<u>\$ 1,921,521</u>	<u>\$ 7,554,594</u>

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances \$3,744,088

Amounts reported for governmental activities in the Statement of Net Position are different because:

Cash held by a third-party administrator is treated as a long-term asset and included in net position. 173,545

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, 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	\$7,488,300	
Accumulated depreciation	<u>(2,858,567)</u>	4,629,733

Proportionate share of long-term liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	3,689,515
Net pension liability - employees' retirement system and teachers' retirement system	(723,861)
Deferred inflows of resources	(311,050)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest on bonds	(4,085)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$630,000)	
Workers' compensation liabilities	(90,485)	
Compensated absences payable	(892,549)	
Net other postemployment benefits obligation	<u>(8,499,114)</u>	<u>(10,112,148)</u>

Total Net Position \$1,085,737

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$11,934,750	\$ -	\$ -	\$ -	\$ 11,934,750
Other tax items - including STAR reimbursement	56,961				56,961
Charges for services	537,205				537,205
Use of money and property	12,479				12,479
Miscellaneous	67,073	30,299			97,372
State sources	698,757	53,452	2,521		754,730
Federal sources		117,116	69,714		186,830
Surplus food			2,712		2,712
Sales			36,577		36,577
TOTAL REVENUES	<u>13,307,225</u>	<u>200,867</u>	<u>111,524</u>	<u>-</u>	<u>13,619,616</u>
EXPENDITURES					
General support	1,804,004				1,804,004
Instruction	6,692,077	204,194			6,896,271
Pupil transportation	519,659	10,036			529,695
Community service	22,932				22,932
Employee benefits	2,838,882		49,262		2,888,144
Debt service - principal	150,000				150,000
Debt service - interest	64,403				64,403
Cost of sales			167,889		167,889
Capital outlay				848,792	848,792
TOTAL EXPENDITURES	<u>12,091,957</u>	<u>214,230</u>	<u>217,151</u>	<u>848,792</u>	<u>13,372,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,215,268</u>	<u>(13,363)</u>	<u>(105,627)</u>	<u>(848,792)</u>	<u>247,486</u>
OTHER FINANCING SOURCES AND USES					
Operating transfers in	425,515	13,363	100,000	250,000	788,878
Operating transfers (out)	(363,363)			(425,515)	(788,878)
TOTAL OTHER FINANCING SOURCES AND USES	<u>62,152</u>	<u>13,363</u>	<u>100,000</u>	<u>(175,515)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,277,420	-	(5,627)	(1,024,307)	247,486
FUND BALANCES - BEGINNING OF YEAR	<u>3,017,613</u>	<u>-</u>	<u>25,626</u>	<u>453,363</u>	<u>3,496,602</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 4,295,033</u>	<u>\$ -</u>	<u>\$ 19,999</u>	<u>\$ (570,944)</u>	<u>\$ 3,744,088</u>

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances		\$247,486
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		
Compensated absences from June 30, 2016 to June 30, 2017 changed by:		6,303
Workers' compensation liabilities in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued workers' compensation liabilities from June 30, 2016 to June 30, 2017 changed by:		
		(9,062)
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third party administrator. This is the amount by which other assets - cash held by third-party administrator increased in the period.		
		5,730
Net other postemployment benefits obligation in the Statement of Activities are measured by the amounts incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Net other post employment benefits obligation payable for the year ended June 30, 2017 changed by:		
		(819,849)
Long-Term Debt Transactions		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
		150,000
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by:		
		875
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
	Capital outlays	\$387,579
	Depreciation expense	(253,117)
	Loss on disposals	(4,214)
		130,248
Pension Differences		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
	Teachers' retirement system	52,800
	Employees' retirement system	(66,668)
		(\$302,137)
Change in Net Position of Governmental Activities		

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents - restricted	\$ 55,112	\$ 24,434
TOTAL ASSETS	<u>\$ 55,112</u>	<u>\$ 24,434</u>
LIABILITIES		
Extraclassroom activity balance	\$ -	\$ 18,115
Other liabilities		6,319
TOTAL LIABILITIES	<u>-</u>	<u>\$ 24,434</u>
NET POSITION		
Restricted for scholarships	<u>55,112</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 55,112</u>	

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest and earnings	\$ 26
Gifts and donations	850
TOTAL ADDITIONS	<u>876</u>
 DEDUCTIONS	
Scholarships and awards	<u>874</u>
TOTAL DEDUCTIONS	<u>874</u>
 CHANGE IN NET POSITION	 2
 NET POSITION - BEGINNING OF YEAR	 <u>55,110</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 55,112</u></u>

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Bridgehampton 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.

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 (the “Board”) consisting of seven 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, 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 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 a certain entity included in the District’s reporting entity:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 reports these 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:

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 includes capital specific grants, if applicable.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 but not limited to real property taxes, are presented as general revenues.

ii) Fund Financial Statements

The Fund Financial 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 fund 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.

School Food Service Fund: This fund is used to account for the activities of the District's food service operations. The school food service operations are supported by federal and state grants and charges participants for its services.

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

The District reports the following fiduciary funds:

Fiduciary Fund: These funds are 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 to finance District operations. 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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 Governmental Fund Financial 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 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, compensated absences, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. 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) Real 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 Southampton and remitted to the District from December to June.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County (the "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 resources 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 expenditure and revenues to provide financing or other services.

In the District-Wide Financial 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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures 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,

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

workers' compensation claims, potential contingent liabilities, other postemployment benefits, and useful lives of capital 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 date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

J) Receivables:

Receivables 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 food service fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventories are accounted for on the consumption method. Under the consumption method, a current asset for the inventories is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

An amount for these non-liquid assets (inventories) has been recognized in the school food service fund as non-spendable fund balance under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

L) Other Assets:

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

M) Capital assets:

Capital assets are reported at actual cost when available or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at acquisition 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 Financial Statements are as follows:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$10,000	Straight-line	20-50 years
Site improvements	10,000	Straight-line	20 years
Furniture & equipment	1,000	Straight-line	5-20 years
Vehicles	1,000	Straight-line	10 years

N) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them. In subsequent periods when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recognized.

In the fund level statements, collections in advance consist of amounts received in advance for summer camp and health insurance prepayments from retirees in the general fund, for amounts received in advance for meals that have not yet been purchased in the school food service fund and for grant receipts in advance of the program in the special aid fund.

O) Deferred outflows and inflows of resources:

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows of resources reported in the Statement of Net Position relates to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources in the Statement of Net Position is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense.

P) 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.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Certain collectively bargained agreements allow these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

Consistent with GASB Statement 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.

Q) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 403(b).

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are 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 cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

R) Short-term debt:

The District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), 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 Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

S) Equity classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial 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 any unexpended proceeds.

Restricted net position – reports net position when constraints placed on the assets 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 the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- 1) Nonspendable 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. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$659.**
- 2) Restricted fund balance – 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 classified the following as restricted:

Workers' Compensation Reserve

Workers' compensation reserve (GML§6-j), must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML§6-m), must be 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 under restricted fund balance.

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for financing retirement contributions payable to the New York State and Local Employees' Retirement System. 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 under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due 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. This reserve is accounted for in the general fund under restricted fund balance.

Capital Reserve

Capital reserve (GML §3651), is used to pay the costs of capital improvements for which the school district may issue bonds pursuant to Local Finance Law. A proposition indicating the purpose, ultimate amount, probable term, and funding source must be approved by the voters. Voter approval is also required before any funds may be expended for the specific purpose for which the reserve was established. Funds may be transferred with voter approval to other funds or the fund may be

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

liquidated if the original purpose for which the fund was established is determined to be no longer needed. Upon liquidation, proceeds must first be applied to any outstanding bonded indebtedness with the remaining, if any, used to reduce the annual tax level. This reserve is accounted for in the general fund under restricted fund balance.

Repairs Reserve

Repairs reserve (GML §6-d), is used to pay the costs of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the private purpose trust fund.

- 3) **Committed fund balance** – 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 (i.e., Board of Education). The District has no committed fund balances as of June 30, 2017.
- 4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school 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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

encumbrances included in the assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the Governmental Fund Financial Statements and the District-Wide Financial 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 resource measurement focus of the District-Wide Statements, compared with the current financial resource measurement 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. This difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheets, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of the four broad categories.

(i) Long-term revenue and expense 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 accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(ii) Capital related differences:

Capital related differences include the difference between proceeds from the sale of capital assets reported on Governmental Fund Financial 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 Financial 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 Financial 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) Pension differences:

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that 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.

There were no supplemental appropriations during the year.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 assigned, unappropriated fund balance, unless classified as restricted or committed, 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.

C) Capital Projects Fund:

The capital projects fund has an unassigned fund balance deficit of \$570,944. This will be funded when the District obtains permanent financing for its current construction project.

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 Statement 40, Deposit and Investment Risk Disclosures, 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) Collateralized with securities held by the pledging financial institution in the District's name;

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

Restricted Cash:

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 at June 30, 2017 included \$4,181,419 within the governmental funds for general reserve purposes and \$79,546 in the fiduciary 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 \$530,823 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$131,261. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE

State and federal aid receivable at June 30, 2017 consisted of:

General Fund	
Excess Cost aid	\$ 28,145
Special Aid Fund	
Federal aid	70,286
State aid	63,161
Total	133,447
School Food Service Fund	
Federal aid	4,405
State aid	168
Total	4,573
Total - All Funds	\$ 166,165

District management has deemed these amounts to be fully collectible.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 7 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the general fund at June 30, 2017 consisted of:

BOCES aid	\$ 131,261
Tuition, services, and health services-other districts	285,020
Total	<u>\$ 416,281</u>

NOTE 8 – COLLECTIONS IN ADVANCE

Collections in advance at June 30, 2017 consisted of the following:

General fund	
Summer camp payments	\$ 13,050
Retiree deferred amounts	5,778
Total - General Fund	<u>18,828</u>
Special aid fund	
Local grant	21,663
Total - Special Aid Fund	<u>21,663</u>
School food service fund	
Student prepaid meals	1,397
Total - School Food Service Fund	<u>1,397</u>
Total - All funds	<u>\$ 41,888</u>

NOTE 9 – INTERFUND TRANSACTIONS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,227,111	\$ -	\$ 425,515	\$ 363,363
Special Aid Fund		224,411	13,363	
School Food Service Fund		40,148	100,000	
Capital Projects Fund		962,552	250,000	425,515
Totals	<u>\$ 1,227,111</u>	<u>\$ 1,227,111</u>	<u>\$ 788,878</u>	<u>\$ 788,878</u>

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 New York State law. In addition, the general fund transferred monies to the school food service fund to subsidize a loss incurred in the

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

fiscal year ending June 30, 2017, and the capital fund transferred the balance of the capital reserve to the general fund. The general fund also transferred monies to the capital projects fund in accordance with the general fund budget.

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

Interfund receivables and payables are expected to be repaid within one year.

NOTE 10 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 278,150	\$ -	\$ -	\$ 278,150
Construction in progress	44,383	570,944	(44,383)	570,944
Total capital assets not being depreciated	322,533	570,944	(44,383)	849,094
Capital assets that are depreciated:				
Building and Improvements	5,966,699	335,416	(625,589)	5,676,526
Site improvements	323,174	92,762	-	415,936
Furniture and equipment	505,505	58,429	(41,911)	522,023
Vehicles	24,721			24,721
Total capital assets being depreciated	6,820,099	486,607	(667,500)	6,639,206
Total Capital Assets	7,142,632	1,057,551	(711,883)	7,488,300
Less accumulated depreciation for:				
Building and Improvements	2,261,579	189,644	-	2,451,223
Site improvements	90,454	15,387	-	105,841
Furniture and equipment	266,393	48,086	(37,697)	276,782
Vehicles	24,721			24,721
Total accumulated depreciation	2,643,147	253,117	(37,697)	2,858,567
Total capital assets being depreciated, net	4,176,952	233,490	(629,803)	3,780,639
Capital assets, net	\$ 4,499,485	\$ 804,434	\$ (674,186)	\$ 4,629,733

Depreciation expense was charged to governmental functions as follows:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

General support	\$ 98,921
Instruction	151,026
School lunch	<u>3,170</u>
Total	<u><u>\$ 253,117</u></u>

NOTE 11 - SHORT-TERM DEBT:

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

	<u>Maturity</u>	<u>Effective Net Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	4/18/18	1.47%	\$0	\$1,500,000	\$0	\$1,500,000
TAN	6/27/17	1.03%	<u>0</u>	<u>4,700,000</u>	<u>(4,700,000)</u>	<u>0</u>
Total			<u><u>\$0</u></u>	<u><u>\$6,200,000</u></u>	<u><u>(\$4,700,000)</u></u>	<u><u>\$1,500,000</u></u>

Interest on short-term debt for the year was \$47,397. The District received premiums on the BAN in the amount of \$22,920 and \$19,442 on the TAN.

NOTE 12 - LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year, excluding OPEB and net pension, are summarized below:

	<u>Balance June 30, 2016</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 780,000	\$ -	\$(150,000)	\$ 630,000	\$ 150,000
Other long-term liabilities:					
Workers' compensation liabilities	81,423	24,608	(15,546)	90,485	
Compensated absences payable	898,852	58,653	(64,956)	892,549	65,000
Total long-term liabilities	<u><u>\$1,760,275</u></u>	<u><u>\$83,261</u></u>	<u><u>(\$230,502)</u></u>	<u><u>\$1,613,034</u></u>	<u><u>\$215,000</u></u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences, workers' compensation and net other postemployment benefits obligation.

Bonds payable is comprised of the following:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction serial bond	6/23/2011	3/15/2021	1-2.375%	<u>\$630,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$150,000	\$14,006	\$164,006
2019	155,000	11,006	166,006
2020	160,000	7,519	167,519
2021	165,000	3,919	168,919
	<u>\$630,000</u>	<u>\$36,450</u>	<u>\$666,450</u>

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

Interest paid	\$17,006
Plus interest accrued in the current year	4,085
Less interest accrued in the prior year	<u>(4,960)</u>
Total expense	<u>\$16,131</u>

On December 13, 2016, the voters approved a bond issue not to exceed \$24,734,568 for facilities expansion and improvement. As of June 30, 2017, debt in the amount of \$1,500,000 in BANs has been issued. Work has commenced and expenditures are recorded in the capital projects fund.

NOTE 13 – PENSION PLANS:

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems):

A) General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B) Provisions and Administration:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, 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 TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in ERS, 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 ERS 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 on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C) Funding Policies:

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30th and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

year ending March 31st, and the employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year.

i) Contributions

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was \$619,658 for the TRS and \$137,923 for the ERS.

D) Pension Assets, Liabilities, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of March 31, 2017 for the ERS and June 30, 2016 for the TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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 the TRS systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
District's proportionate share of the net pension liability	\$ 370,504	\$ 353,357
District's portion of the Plan's total net pension liability	0.0039431%	0.032992%
Change in proportion since the prior measurement date	0.0002245	0.001904

For the year ended June 30, 2017, the District recognized pension expense of \$205,520 for ERS and a pension expense of \$566,993 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 9,284	\$ -	\$ 56,263	\$ 114,790
Changes of assumptions	\$ 126,578	\$ 2,012,948	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 74,005	\$ 794,533	\$ -	\$ -
Changes in proportion and differences between the District's contributions and proportionate share of contributions	\$ 11,816	\$ 3,809	\$ 28,233	\$ 111,764
District's contributions subsequent to the measurement date	<u>\$ 36,884</u>	<u>\$ 619,658</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 258,567</u>	<u>\$ 3,430,948</u>	<u>\$ 84,496</u>	<u>\$ 226,554</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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:

<u>Fiscal Year Ended June 30</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 63,416	\$ 228,274
2019	63,416	228,274
2020	61,839	845,330
2021	(51,484)	653,346
2022		290,173
Thereafter	<u>-</u>	<u>339,339</u>
	<u>\$ 137,187</u>	<u>\$ 2,584,736</u>

i) Actuarial Assumptions

The total pension liability/(asset) 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/(asset) to the measurement date. The actuarial valuations used the following actuarial assumptions:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.80%	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	2.50%	2.50%
Cost of living adjustments	1.30%	1.50%

For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on, the Society of Actuaries' Scale MP2014.

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

The long-term expected rate of return on 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.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	June 30, 2016		March 31, 2017	
Asset Type:				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Private equity	7.0%	9.20%	10.0%	7.75%
Real Estate	10.0%	5.40%	10.0%	5.80%
Absolute return strategies			2.0%	4.00%
Oportunistic portfolio			3.0%	5.89%
Real assets			3.0%	5.54%
Bond and mortgages			17.0%	1.31%
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bond and mortgages	8.0%	3.10%		
Short-term	1.0%	0.10%		
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for TRS (the discount rate used by TRS at the prior year's measurement date of June 30, 2015 was 8.0%) and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015 was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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.

ii) 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/(asset) 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 liability/(asset) would be if it were calculated

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
ERS			
Employer's proportionate share Of the net pension liability (asset)	\$ 1,183,315	\$ 370,504	\$ (316,727)
	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
TRS			
Employer's proportionate share Of the net pension liability (asset)	\$ 4,610,348	\$ 353,357	\$ (3,217,183)

iii) Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan fiduciary net position	(168,004,363)	(107,506,142)
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 1,071,042</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	94.70%	99.01%

iv) Payables To The Pension Plan

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$36,884.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 deduction and remittance to TRS. 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 covered 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 \$619,658 of employer contributions and \$46,309 of employee contributions.

E) Tax sheltered annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$91,000 and \$295,195, respectively.

NOTE 14 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District provides primarily post-employment 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 primarily administered through the New York State Health Insurance Program – Empire Plan.

B) Funding Policy:

The District assumes a portion of the cost of the premium, which ranges from 50% to 100% as determined by the employment contract of the District's retiree. The contribution requirements of plan members and the 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 District contributed \$344,576 to the Plan for 32 retirees.

C) 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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	\$1,298,974
Interest on net OPEB obligation	268,774
Adjustment to Annual Required Contribution	<u>(403,323)</u>
Annual OPEB cost (expense)	1,164,425
Contributions made	<u>(344,576)</u>
Increase in net OPEB obligation	819,849
Net OPEB obligation-beginning of year	<u>7,679,265</u>
Net OPEB obligation-end of year	<u><u>\$8,499,114</u></u>

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

Fiscal Year Ending	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$1,317,028	\$329,354	25.00%	\$6,705,108
6/30/2016	\$1,305,408	\$331,251	25.37%	\$7,679,265
6/30/2017	\$1,164,425	\$344,576	30.00%	\$8,499,114

D) Funded Status and Funding Progress:

As of July 1, 2015, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$13,073,045, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,073,045. The covered payroll (annual payroll of active employees covered by the plan) was \$6,098,212, and the ratio of the UAAL to the covered payroll was 214%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. 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 following the notes to the financial statements 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.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

E) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes 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, 2015 actuarial valuation prepared by an outside actuarial firm, the projected unit credit cost method is used. Since costs are pooled, the actuarial valuation was developed on a pooled basis. The actuarial assumptions included a 3.5% investment rate of return. The valuation assumes an 8.00% healthcare cost trend for June 30, 2015, decreasing 0.5% per year to an ultimate trend rate of 5.00% achieved by June 30, 2021. The UAAL uses level dollar amortization over a period of 30 years.

NOTE 15 – RISK MANAGEMENT

A) General Information:

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 a combination of self-insurance reserves, public entity risk pools, and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B) Public Entity Risk Pool – Risk Retained:

The District participates in a risk pool, the East End Workers' Compensation Consortium (EEWCC) to insure workers' compensation claims. This public entity risk pool was created under Article 5 of the Workers' Compensation law to evaluate process, administer, and pay workers' compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers' compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the Districts' loss experience. The EEWCC established a non-discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2017, as processed by the EEWCC, is \$90,485. Claims activity is summarized as follows:

	2017	2016
Unpaid claims at beginning of year	\$ 81,423	\$ 44,912
Incurred claims and claim adjustment expenses	24,608	66,122
Claims payments	(15,546)	(29,611)
Unpaid claims at year end	\$ 90,485	\$ 81,423

The EEWC is holding \$173,545 of cash on account for the District to satisfy these liabilities at June 30, 2017. In addition, the District has reserved \$146,760 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2017. Copies of these statements can be obtained from the District's administrative offices.

C) Public Entity Risk Pool – Risk Sharing

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

NOTE 16 – FUND BALANCES – ASSIGNED:

A) Assigned: Appropriated:

The amount of \$400,000 has been appropriated to partially fund the general fund budget for the year ending June 30, 2018.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B) Encumbrances:

Encumbrances are classified as follows in the governmental funds at June 30, 2017:

Assigned: Unappropriated Fund Balance

General fund	
General support	\$ 37,232
Instruction	28,483
Employee Benefits	2,688
Total General Fund	68,403
Capital fund	
Total Capital Fund	86,000
Special Aid Fund	
Total Special Aid Fund Fund	806
Total	\$ 155,209

NOTE 17 – 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 District leases various copiers under non-cancelable operating leases. Rental expense of \$9,073 was incurred for the fiscal year ended June 30, 2017. Below is a summary of future obligations under operating leases:

Fiscal Year Ending June 30,	Total
2018	\$ 6,795
2019	1,699
Total	\$ 8,494

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C) Purchase Agreements:

The District has various agreements with BOCES to purchase equipment. The expense for these agreements was \$55,087 for the fiscal year ended June 30, 2017. Below is a summary of future obligations under these purchase agreements:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ 35,782
2019	27,460
2020	27,460
2021	27,460
Total	<u>\$ 118,162</u>

D) Litigation:

As of June 30, 2017, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 18 -OVERPAYMENTS

Due to a change in financial data used to compute State Aid in a prior year, the District received an overpayment of \$16,171. This is recorded in the General Fund as a liability in the amount owed back to the State. The overpayment is being recovered through reductions in state aid payments. As of the end of the year the total amount due to the State over the next twelve months is \$16,171.

NOTE 19 – SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated the activity through September 15, 2017 (the date the financial statements were available to be issued) and are reporting the following item in accordance with the above:

On July 12, 2017 the Board of Education passed a resolution to issue tax anticipation notes in the amount of \$4,500,000, which will be issued on September 19, 2017, maturing on June 27, 2018 with a net interest rate of 1.0999%.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 11,960,973	\$ 11,934,750	\$ 11,934,750	\$ -
Other real property tax items	25,050	51,273	56,961	5,688
Charges for services	454,000	454,000	537,205	83,205
Use of money & property	2,000	2,000	12,479	10,479
Miscellaneous	22,500	22,500	67,073	44,573
State Sources				
Basic formula	462,970	359,855	342,569	(17,286)
Excess cost aid	5,464	187,634	187,634	-
Lottery aid	-	20,571	20,571	-
BOCES aid	133,804	133,804	131,261	(2,543)
Textbook aid	12,000	12,000	12,932	932
Computer software/hardware aid	5,909	5,909	3,790	(2,119)
Other State Aid	100,519	893	-	(893)
TOTAL REVENUES	13,185,189	13,185,189	13,307,225	122,036
OTHER FINANCING SOURCES				
Operating transfer in	-	-	425,515	425,515
TOTAL REVENUES AND OTHER FINANCING SOURCES	13,185,189	13,185,189	\$ 13,732,740	\$ 547,551
Appropriated Fund Balance	400,000	400,000		
Encumbrances	64,775	64,775		
Appropriated Reserves	193,250	193,250		
TOTAL REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE	\$ 13,843,214	\$ 13,843,214		

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.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$ 73,857	\$ 76,106	\$ 70,921	\$ -	\$ 5,185
Central administration	235,718	236,108	231,632		4,476
Finance	459,346	468,170	412,730	31,559	23,881
Staff	107,450	106,110	76,407		29,703
Central services	943,761	991,216	853,814	5,673	131,729
Special items	162,342	164,787	158,500		6,287
Instructional					
Instruction, administration & improvement	381,737	376,357	301,422		74,935
Teaching - regular school	4,259,345	3,934,295	3,853,766	13,647	66,882
Programs for students with disabilities	1,277,659	1,466,444	1,331,866		134,578
Occupational education	52,000	52,000	12,874		39,126
Teaching special schools	231,666	236,550	236,050		500
Instructional media	293,588	296,969	255,946	743	40,280
Pupil services	779,090	799,551	700,153	14,093	85,305
Pupil transportation	762,721	770,040	519,659		250,381
Community services	22,870	22,932	22,932		-
Employee benefits	3,238,058	3,261,176	2,838,882	2,688	419,606
Debt service					
Debt service principal	150,000	150,000	150,000		-
Debt service interest	42,006	64,403	64,403		-
TOTAL EXPENDITURES	<u>13,473,214</u>	<u>13,473,214</u>	<u>12,091,957</u>	<u>68,403</u>	<u>1,312,854</u>
OTHER FINANCING USES					
Transfers to other funds	370,000	370,000	363,363		6,637
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 13,843,214</u>	<u>\$ 13,843,214</u>	<u>12,455,320</u>	<u>\$ 68,403</u>	<u>\$ 1,319,491</u>
NET CHANGE IN FUND BALANCE			1,277,420		
FUND BALANCE - BEGINNING OF YEAR			<u>3,017,613</u>		
FUND BALANCE - END OF YEAR			<u>\$ 4,295,033</u>		

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.

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

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
7/1/2009	\$ -	\$ 12,848,290	\$ 12,848,290	0.00%	\$ 5,038,336	255%
7/1/2012	\$ -	\$ 13,489,762	\$ 13,489,762	0.00%	\$ 5,499,092	245%
7/1/2015	\$ -	\$ 13,073,045	\$ 13,073,045	0.00%	\$ 6,098,212	214%

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST THREE FISCAL YEARS

NYSERS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0039431%	0.0037186%	0.0034387%
District's proportionate share of the net pension liability	\$ 370,504	\$ 596,842	\$ 116,168
District's covered payroll	\$ 1,129,932	\$ 938,039	\$ 1,040,112
District's proportionate share of the net pension liability as a percentage of its covered payroll	32.79%	63.63%	11.17%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.95%

NYSTRS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.032992%	0.031088%	0.031153%
District's proportionate share of the net pension liability (asset)	\$ 353,357	\$ (3,229,012)	\$ (3,470,219)
District's covered payroll	\$ 5,143,634	\$ 4,890,472	\$ 4,770,636
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-6.87%	66.03%	72.74%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Note to Required Supplementary Information

Employees' Retirement System

The discounted rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

Teachers' Retirement System

The discounted rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	NYSERS Pension Plan									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 137,923	\$ 155,950	\$ 161,036	\$ 141,010	\$ 149,575	\$ 118,980	\$ 121,920	\$ 55,732	\$ 49,946	\$ 54,155
Contributions in relation to the contractually required contribution	137,923	155,950	161,036	141,010	149,575	118,980	121,920	55,732	49,946	54,155
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,194,608	\$ 1,234,238	\$ 1,040,450	\$ 956,225	\$ 888,516	\$ 841,063	\$ 854,223	\$ 933,896	\$ 833,911	\$ 758,340
Contributions as a percentage of covered payroll	11.55%	12.64%	15.48%	14.75%	16.83%	14.15%	14.27%	5.97%	5.99%	7.14%

	NYTRS Pension Plan									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 619,658	\$ 675,065	\$ 818,613	\$ 747,784	\$ 548,050	\$ 520,955	\$ 383,945	\$ 278,105	\$ 345,143	\$ 368,028
Contributions in relation to the contractually required contribution	619,658	675,065	818,613	747,784	548,050	520,955	383,945	278,105	345,143	368,028
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,362,450	\$ 5,143,634	\$ 4,890,472	\$ 4,770,636	\$ 4,721,781	\$ 4,805,470	\$ 4,703,159	\$ 4,667,986	\$ 4,705,538	\$ 4,327,002
Contributions as a percentage of covered payroll	11.56%	13.12%	16.74%	15.67%	11.61%	10.84%	8.16%	5.96%	7.33%	8.51%

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 13,778,439
Add: Prior year's encumbrances	64,775
Final Budget	\$ 13,843,214

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved expenditure budget	\$ 14,356,463
Maximum allowed (4% of 2017-2018 budget)	\$ 574,259
General fund fund balance subject to Section 1318 of Real Property Tax Law	
Assigned fund balance	\$ 468,403
Unassigned fund balance	574,267
Total unrestricted fund balance	1,042,670
Less:	
Appropriated fund balance	400,000
Encumbrances	68,403
Total adjustments	468,403
General fund fund balance subject to Section 1318 of Real Property Tax Law	\$ 574,267
Actual percentage	4.00%

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project Title	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance June 30, 2017
			Prior Years	Current Year			Total	Local Sources	
Funded by 5 year Capital Plan (reserve):									
5 year capital plan (cap reserve)	\$ 815,790	\$ 353,099	\$ -	\$ -	\$ 353,099	\$ -	\$ 353,099	\$ 353,099	\$ 353,099
Front Deck	-	24,648	24,648	-	-	-	24,648	24,648	-
MS Windows	-	55,290	55,290	-	-	-	55,290	55,290	-
Playground	-	158,874	158,874	-	-	-	158,874	158,874	-
Skylights	-	11,482	11,708	27,848	71,926	-	111,482	111,482	71,926
Storage Building	-	62,786	62,786	-	-	-	62,786	62,786	-
Upgrade HVAC	-	16,446	16,446	-	-	-	16,446	16,446	-
MS/DO/PPS Electrical Upgrades	-	33,165	32,675	-	490	-	33,165	33,165	490
	815,790	815,790	362,427	27,848	425,515	-	815,790	815,790	425,515
16/17 Bond Projects:									
New Construction Project	1,500,000	842,750	-	-	842,750	929,056	-	929,056	929,056
Contractual Expense	-	121,779	35,779	35,779	86,000	35,779	-	35,779	-
Architect Fees	-	488,000	487,694	487,694	306	487,694	-	487,694	-
Survey & Engineering	-	47,471	47,471	47,471	-	47,471	-	47,471	-
	1,500,000	1,500,000	570,944	570,944	929,056	1,500,000	-	1,500,000	929,056
16/17 Projects:									
Boiler Repair	16,338	16,338	-	16,338	-	-	16,338	16,338	-
Door Lock Upgrade	73,841	73,841	-	73,841	-	-	73,841	73,841	-
Replace Gym Bleacher End Rails	31,931	31,931	-	31,931	-	-	31,931	31,931	-
Masonry Sealer	27,877	27,877	-	27,877	-	-	27,877	27,877	-
New Electronic Sign	25,315	25,315	-	25,315	-	-	25,315	25,315	-
Parking Lot Improvements	15,311	15,311	-	15,311	-	-	15,311	15,311	-
Plumbing Upgrade	23,096	23,096	-	23,096	-	-	23,096	23,096	-
PPS Asbestos Removal	20,583	20,583	-	20,583	-	-	20,583	20,583	-
Main Building Steam Trap	15,708	15,708	-	15,708	-	-	15,708	15,708	-
	250,000	250,000	-	250,000	-	-	250,000	250,000	-
Totals	\$ 2,565,790	\$ 2,565,790	\$ 362,427	\$ 848,792	\$ 1,211,219	\$ 1,500,000	\$ 1,065,790	\$ 2,565,790	1,354,571

Less: BAN (1,500,000)
Less: Transfer to general fund (425,515)
\$ (570,944)

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Capital assets, net	<u>\$ 4,629,733</u>
Deduct:	
Bond anticipation note payable	1,500,000
Short-term portion of bonds payable	150,000
Long-term portion of bonds payable	480,000
Less:	
Unspent BAN proceeds	<u>(929,056)</u>
	<u>1,200,944</u>
Net investment in capital assets	<u><u>\$ 3,428,789</u></u>

**INDEPENDENT AUDITOR'S 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**

To the Board of Education
Bridgehampton Union Free School District
Bridgehampton, New York

We have audited, in accordance with the 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 the Bridgehampton Union Free School District (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 September 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bridgehampton Union Free School 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bridgehampton Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bridgehampton Union Free School 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 Bridgehampton Union Free School 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Bridgehampton Union Free School District in a separate letter dated September 15, 2017.

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.

Cullen & Danowski, LLP

September 15, 2017

APPENDIX C

FORM OF BOND COUNSEL OPINION

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

June 21, 2018

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Bridgehampton Union Free School District (the "School District"), in the County of Suffolk, New York, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale, and issuance of the \$24,234,568 School District Serial Bonds-2018 (the "Bonds"), dated and delivered on the date hereof.

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

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

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

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 excludable from gross income 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 the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

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

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

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

“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 **Bridgewater 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 June 21, 2018.

“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 **\$24,234,568 School District Serial Bonds-2018**, dated June 21, 2018, maturing in various principal amounts on March 15 in each of the years 2019 to 2038, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York to the EMMA System:

- (i) not later than the last day of the sixth month 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 each fiscal year commencing with the fiscal year ending June 30, 2018, 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, 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 the last day of the succeeding fiscal year; provided, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933.

- (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 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 in 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 subsection (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 **June 21, 2018**.

**BRIDGEHAMPTON UNION FREE SCHOOL
DISTRICT**

By _____
President of the Board of Education