

PRELIMINARY OFFICIAL STATEMENT DATED JULY 14, 2020

NEW ISSUE

TAX ANTICIPATION NOTES

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 Notes 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 Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes 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 Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

**\$11,000,000* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES
(the "Notes")**

Date of Issue: July 30, 2020

Maturity Date: June 25, 2021

The Notes are general obligations of the Westhampton Beach Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "*The Tax Levy Limit Law*" herein.)

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "*Book-Entry-Only System*" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on July 21, 2020 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about July 30, 2020.

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

July , 2020

*Preliminary, subject to change.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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2020-2021 BOARD OF EDUCATION

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Mary Ann Milton, District Treasurer

SCHOOL DISTRICT ATTORNEY

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Stony Brook, New York

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR



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

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK

Relating To

\$11,000,000* TAX ANTICIPATION NOTES FOR 2020-2021 TAXES (the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Westhampton Beach Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$11,000,000* Tax Anticipation Notes for 2020-2021 Taxes (the "Notes").

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

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Kathleen O'Hara, Assistant Superintendent for Business, Westhampton Beach Union Free School District, 340 Mill Road, Westhampton Beach, NY 11978-2045, Phone (631) 288-3800, Fax (631) 288-4828 and email: kohara@whbschools.org.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-entry-only System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's

*Preliminary, subject to change.

participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes 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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2020-2021 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2020-2021 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2020-2021 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

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

The Notes 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 thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended.

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 Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, (herein referred to as the "Tax Levy Limit Law" or "Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes, and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*," herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes 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 Notes 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 Notes, the owner of such Notes 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 Notes 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 Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. 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 Notes 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 Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

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

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

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

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

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

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 Notes.

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 on the south shore of the east end of Long Island in Suffolk County, New York. Midtown Manhattan is approximately 75 miles to the west. The District has a land area of approximately 12.2 square miles. Minutes of School Board meetings date back to 1815.

Included in the District is the Village of Westhampton Beach and the hamlet of Westhampton. The area is basically rural-residential in character.

The main commercial activity is summer tourism which is attracted to the Moriches Bay area and the beaches of the Atlantic Ocean. Property value per student places the District in the top one percent for school districts outside New York City.

The main highways serving the District include Montauk Highway and Sunrise Highway (NY27) east-west and Old Riverhead Road, Oak Street, Potunk Lane and Jessup Lane north-south. The Long Island Railroad operates a station at Westhampton. Adelworth Bus Service provides local travel and air service is available at Gabreski Airport.

Water service is provided by the Suffolk County Water Authority; electric and gas service are provided by the PSEG Long Island; fire protection is provided by the Westhampton Beach Fire Department and police protection is provided by the Town of Southampton and the Village of Westhampton Beach.

District Organization

The Board of Education, which is the policy-making body of the District, consists of seven members with overlapping five-year terms so that as nearly an equal number as possible is elected to the Board each year. There is a one-year residency requirement for Board members and no member may hold any other elective office while serving on the Board of Education. The President and the Vice President are selected by the Board members.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the District Clerk, District Treasurer and the Assistant Superintendent for Business.

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2017	1,789
2018	1,780
2019	1,798
2020	1,812
2021	1,813

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>
2022	1,810
2023	1,815

Source: District Officials.

School Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Most Recent Renovation</u>	<u>Capacity</u>
Westhampton Beach Elementary	K-5	1962	2006	460
Westhampton Beach Middle School	6-8	1939	2008	456
Westhampton Beach High School	9-12	1965	2006	1,100

Employees

Some of the District employees are represented by the following units of organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Westhampton Beach Teachers Association	06/30/2024	213
Westhampton Beach Supervisory Unit	06/30/2022	10
Westhampton Beach Clerical Association	06/30/2024	26
Westhampton Beach Custodial Employees' Association	06/30/2024	38
Westhampton Beach Monitors and Teachers Aides	06/30/2022	26

Source: District Officials.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

<u>Year</u>	<u>District</u>	<u>Town of Southampton</u>	<u>Suffolk County</u>
2009	6,615	60,007	1,511,392
2010	6,138	60,567	1,511,028
2011	5,645	56,800	1,492,450
2015	5,442	57,730	1,501,373
2018	5,362	57,975	1,487,901

Source: U.S. Bureau of the Census.

Income Data

The following sets forth income data for the District. The information set forth below with respect to such Village, 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 Village, Town, County or State or vice versa.

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Westhampton Beach UFSD	-	-	\$53,642	\$57,125
Village of Westhampton Beach	\$24,969	\$38,500	60,291	72,080
Town of Southampton	20,684	31,320	47,111	52,907
County of Suffolk	18,481	26,577	35,755	42,204
State of New York	16,501	23,389	30,948	37,470

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Westhampton Beach UFSD	-	-	\$87,399	\$103,542
Village of Westhampton Beach	\$42,143	\$58,438	77,381	102,604
Town of Southampton	36,859	53,887	78,133	89,199
County of Suffolk	49,128	65,288	84,506	96,675
State of New York	32,965	43,393	55,603	65,323

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2014-2018)

Selected Listing of Larger Employers in the Town of Southampton^a (As of 2019)

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	523
Southampton UFSD	School District	507
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: Town of Southampton.

a. Not necessarily representative of the District.

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 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>
2015	5.1	4.8	5.3
2016	4.7	4.3	4.8
2017	4.9	4.5	4.7
2018	4.4	3.9	4.1
2019	3.6	3.7	4.0
2020 (5 Month Average) ^a	8.7	8.2	8.3

Source: Department of Labor, State of New York

a. Unemployment rates dramatically increased throughout the State in April and May due to the COVID-19 pandemic.

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 Notes:

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

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (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 Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

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 Notes. However, such finance board may delegate the power to sell the Notes 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 July 14, 2020)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Southampton (2019-2020) ^a	\$5,256,676,814	100.00%	\$5,256,676,814
Debt Limit - 10% of Full Valuation			\$525,667,681
Inclusions: ^b			
Outstanding Bonds			\$16,745,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>16,745,000</u>
Exclusions (Estimated Building Aid) ^c			<u>1,674,500</u>
Total Net Indebtedness			<u>15,070,500</u>
Net Debt Contracting Margin			<u><u>\$510,597,181</u></u>
Per Cent of Debt Contracting Margin Exhausted			2.87%

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 no short-term indebtedness outstanding.

Trend of Outstanding Indebtedness

As at June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$28,491,000	\$25,556,000	\$22,501,000	\$19,690,000	\$16,745,000
BANs	-	-	-	-	-
Other	<u>196,218</u>	<u>113,500</u>	<u>86,788</u>	<u>26,711</u>	<u>26,711</u>
Total	<u>\$28,687,218</u>	<u>\$25,669,500</u>	<u>\$22,587,788</u>	<u>\$19,716,711</u>	<u>\$16,771,711</u>

Source: Audited Financial Statements of the District.

Debt Service Requirements - Outstanding Bonds^a

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness, exclusive of refunded bonds, and energy performance contracts.

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$3,075,000	\$670,633	\$3,745,633
2022	3,210,000	540,759	3,750,759
2023	3,335,000	405,609	3,740,609
2024	3,485,000	264,959	3,749,959
2025	1,165,000	167,758	1,332,758
2026	1,200,000	114,169	1,314,169
2027	<u>1,275,000</u>	<u>58,969</u>	<u>1,333,969</u>
Totals:	<u>\$16,745,000</u>	<u>\$2,222,856</u>	<u>\$18,967,856</u>

a. Does not include payments made to date.

Installment Debt

As of June 30, 2019, the District has installment purchase debt outstanding in the amount of \$1,305,533 for district-wide computers.

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 receipts.

The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2016	\$11,000,000	09/01/2015	06/27/2016
2017	11,000,000	09/08/2016	06/27/2017
2018	11,000,000	08/17/2017	06/27/2018
2019	11,000,000	08/23/2018	06/27/2019
2020	11,000,000	08/22/2019	06/25/2020

Authorized and Unissued Debt

As of the date of this Official Statement, the District has no authorized but unissued items.

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	03/26/2020	1.65	\$32,463,971	\$22,162,608
Town of Southampton	06/02/2020	10.67	7,912,461	7,055,359
Village of Westhampton Beach	07/01/2020	100.00	10,800,000	10,800,000
Westhampton Fire District	06/01/2020	100.00	12,660,000	12,660,000
Westhampton Free Library	07/01/2020	100.00	<u>2,835,000</u>	<u>2,835,000</u>
Totals			<u>\$66,671,432</u>	<u>\$55,512,967</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 July 14, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$16,745,000	\$ 3,123	0.319
Net Direct Debt	15,070,500	2,811	0.287
Total Direct & Applicable Total Overlapping Debt	83,416,432	15,557	1.587
Net Direct & Applicable Net Overlapping Debt	70,583,467	13,164	1.343

a. The current population of the District is 5,362.

b. The full valuation of taxable property for 2019-20 is \$5,256,676,814.

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, 2019. 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 June 16, 2020, a majority of the voters of the District approved the District's budget for the 2020-2021 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2019-2020 and 2020-2021 may be found in Appendix A, herein.

Revenues

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

Real Property Taxes

See "*Tax Information*" herein.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2015 through 2019, and the amounts budgeted for 2020 and 2021.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2015	\$52,135,560	\$2,391,663	4.59
2016	52,240,474	2,181,934	4.18
2017	51,244,231	2,069,699	4.04
2018	52,170,179	2,352,946	4.51
2019	55,101,756	2,476,968	4.50
2020 (Budgeted) ^a	58,018,834	2,474,548	4.27
2021 (Budgeted) ^a	58,957,227	2,311,425	3.92

Source: Audited Financial Statements of the District and Adopted Budget of the District.

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 amount of State aid to school districts is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State. (See "*Event Affecting New York School Districts*" herein).

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 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 general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 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.

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.

Tuition Revenue

The District currently accepts approximately 900 secondary level students from the following neighboring districts: East Moriches UFSD, Remsenberg-Speonk UFSD, Quogue UFSD, and East Quogue UFSD (the “Sending Districts”).

Under current regulations set forth by the New York State Education Department, the Sending Districts are required to pay the Non-Resident Tuition Formula Rate to the District for students attending school within the District. The rate is calculated by the State and is generated based on audited expenditures, revenues and enrollment figures.

The contract between the District and the Sending Districts is approved annually by the respective Boards of Education. Tuition billing is reconciled and generated on a monthly basis.

The following table sets forth the amount of the District’s General Fund revenue comprised of tuition revenue for each of the fiscal years 2015 through 2019, inclusive, and the amounts budgeted for the 2020 fiscal year.

Fiscal Year Ending <u>June 30:</u>	General Fund <u>Total Revenue</u>	Tuition <u>Revenue</u>	Tuition to <u>Revenues (%)</u>
2015	\$52,135,560	\$21,831,961	41.88
2016	52,240,474	20,704,303	39.63
2017	51,244,231	20,942,870	40.87
2018	52,170,179	20,200,314	38.72
2019	55,101,756	21,050,056	38.20
2020 (Budgeted) ^a	58,018,834	21,933,957	37.80
2021 (Budgeted) ^a	58,957,227	22,472,473	38.12

Source: Audited Financial Statements of the District and Adopted Budget of the District.

a. Budgeted revenues includes the application of reserves and fund balances.

Recent Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

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 continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

School district fiscal year (2018-2019): The State's 2018-2019 Budget provided 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 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 5.2% and building aid increased by 4.7%. The State 2018-2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

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

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

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 total allocation was \$216,733 of which \$103,830 has been used to date.

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. 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: 20.0%; Environmental Score: 10.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local school district officials manage school district resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local school district 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 performed was released November 27, 2015. The purpose of such audit was to examine the District's claims auditing process for the period July 1, 2014 through June 30, 2015. The complete report, together with the District's response, may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

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

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, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the amounts budgeted for the 2021 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2016	\$3,039,588	\$857,031
2017	2,729,121	740,696
2018	2,334,058	763,138
2019	2,571,875	763,744
2020	2,144,897	806,594
2021 (Budgeted)	2,541,913	924,882

Source: District Officials.

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. 75 ("GASB 75") 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 75 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 75 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.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, 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 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost. Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District's total OPEB liability at June 30, 2019 is as follows:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2019:</u>
Balance as of June 30, 2018	\$43,670,600
Changes for the year:	
Service Cost	1,283,651
Interest	1,717,718
Changes of benefit terms	-
Differences between actual and expected experience	1,996,103
Changes in assumptions or other outputs	12,593,314
Benefit payments	<u>(1,148,433)</u>
Total Changes	<u>\$16,442,353</u>
Total OPEB liability as of June 30, 2019	<u><u>\$60,112,953</u></u>

The OSC has recently 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 assessors 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 percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2020, and the amounts budgeted for 2020 and 2021.

Fiscal Year Ending <u>June 30:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2015	\$52,135,560	\$25,933,857	49.74
2016	52,240,474	27,012,487	51.71
2017	51,244,231	27,387,826	53.45
2018	52,170,179	28,332,590	54.31
2019	55,101,756	29,799,684	54.08
2020 (Budgeted) ^a	58,018,834	31,267,836	53.89
2021 (Budgeted) ^a	58,957,227	31,791,179	53.92

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

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

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

As a result of the COVID-19 pandemic, in certain counties in New York State during the 2019-2020 fiscal year, the deadline to pay school district property taxes, without interest or penalty, was extended. No assurance can be given that similar extensions with respect to the deadlines to pay school district property taxes, without interest or penalty, may occur during the 2020 -2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected and paid to school districts.

The Tax Levy Limit Law

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

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

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

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, 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 (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

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 \$66,800 for the 2018-19 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 included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Approximately 9% of the District's 2019-2020 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 9% of the District's 2020-2021 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 2021. (See "State Aid" herein).

Valuations, Rates and Levies

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2016 through 2020.

<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>
2016	\$4,372,537,939	100.00	\$4,372,537,939	\$27,650,181	6.32
2017	4,437,234,906	100.00	4,437,234,906	27,889,796	6.29
2018	4,591,571,771	100.00	4,591,571,771	28,711,557	6.25
2019	4,780,746,690	100.00	4,780,746,690	29,784,530	6.23
2020	5,256,676,814	100.00	5,256,676,814	30,937,109	5.89

Source: Tax Rate Sheets for the Town of Southampton.

Selected Listing of Large Taxable Properties in the District 2019-2020 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed</u> <u>Valuation</u>
Berkadia Commercial Mortgage	Commercial	\$21,192,300
Howard Cox	Residential	18,046,100
Hampton NH Realty LLC	Real Estate	17,228,100
Westhampton Bath & Tennis Club	Commercial	16,598,600
DLV Quogue Owner, LLC	Commercial	15,432,000
West66 LLC	Commercial	14,956,100
Suzanne Doft	Residential	14,864,800
Ironman Realty	Commercial	14,535,000
123 Dune Road LLC	Commercial	12,797,500
The Crampton Society, LLC.	Commercial	12,036,000
PSEG LI Property Tax Department	Commercial	11,448,956
Samuel L Katz	Residential	11,322,100
E E Geduld	Residential	11,175,600
Jerome L Stern	Residential	10,446,500
Basswood Capital Management LLC	Commercial	10,424,200
Total ^a		<u>\$212,503,856</u>

a. Represents 4.04% of the Assessed Valuation of the District for 2019-2020.

Source: Town Assessment Roll.

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 AND SCHOOL DISTRICTS OF THE STATE

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

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

If and when an owner of any of the Notes should elect to sell all or a part of the Notes 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 Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes 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 Notes. 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 Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 pandemic and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the

State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “*State Aid*” and “*Events Affecting New York School Districts*” 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 Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (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 Notes. (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 Notes.

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. The District has invested in school cyber insurance to mitigate liability and the cost of remedy, should a cyber attack occur.

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 Notes 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 Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes, 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 Notes, 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 Notes 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 Notes 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 Notes, 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 Notes.

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 Notes in order that interest on the Notes 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 Notes, 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 Notes 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 Notes 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 Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. 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 Notes.

Prospective owners of the Notes 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 Notes 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 Note (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 note 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 Notes. In general, the issue price for each maturity of the Notes 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 Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes 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 Notes.

In general, under Section 1288 of the Code, OID on a Discount Note 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 Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. 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 Note even though there will not be a corresponding cash payment.

Owners of Discount Notes 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 Notes.

Note Premium

In general, if an owner acquires a Note 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 Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “tax-exempt Premium Note”). In general, under Section 171 of the Code, an owner of a tax-exempt Premium Note must amortize the note premium over the remaining term of the tax-exempt Premium Note, based on the owner’s yield over the remaining term of the tax-exempt Premium Note, determined based on constant yield principles (in certain cases involving a tax-exempt Premium Note 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 tax-exempt Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note 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 tax-exempt Premium Note may realize a taxable gain upon disposition of the tax-exempt Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any tax-exempt Premium Note should consult their own tax advisors regarding the treatment of note 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 note premium on, sale, exchange, or other disposition of tax-exempt Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. 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 Note 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 Notes 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 Notes under federal or state law or otherwise prevent beneficial owners of the Notes 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 Notes.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Notes, the District will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as Appendix E.

Compliance History

The following table sets forth the annual filings for each of the five preceding fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2015	12/24/2015	10/21/2015
2016	12/15/2016	11/22/2016
2017	12/14/2017	10/24/2017
2018	12/12/2018	12/04/2018
2019	12/12/2019	11/04/2019

RATINGS

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761 has assigned a rating of "Aa2" to the outstanding bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

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 financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial 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 Notes 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 Notes 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 Kathleen O'Hara, Assistant Superintendent for Business, Westhampton Beach Union Free School District, 340 Mill Road, Westhampton Beach, NY 11978-2045, Phone (631) 288-3800, Fax (631) 288-4828 and email: kohara@whbschools.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District's documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

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 or 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 Notes.

By: s/s SUZANNE MENSCH
President of the Board of Education
Westhampton Beach Union Free School District
Westhampton Beach, New York

July , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 25,933,857	\$ 27,012,487	\$ 27,387,826	\$ 28,332,590	\$ 29,799,684
Other Real Property Tax Items	1,720,469	1,359,590	1,209,886	1,049,792	900,253
Charges for Services	22,006,954	20,736,622	20,395,592	20,200,314	21,050,056
Use of Money and Property	9,502	22,387	50,494	132,394	180,707
Sale of Property & Compensation for Loss	2,169	805,018	16,837	3,506	526,834
Miscellaneous	70,946	118,256	108,501	88,985	74,319
State Sources	2,391,663	2,181,934	2,069,699	2,352,946	2,476,968
Federal Sources		4,180	5,396	9,652	92,935
Total Revenues	<u>52,135,560</u>	<u>52,240,474</u>	<u>51,244,231</u>	<u>52,170,179</u>	<u>55,101,756</u>
Expenditures:					
General Support	5,101,766	5,159,232	5,287,384	5,247,574	5,461,550
Instruction	27,523,014	28,184,717	28,541,870	29,265,344	29,912,882
Pupil Transportation	1,248,557	1,393,578	1,319,727	1,427,253	1,497,450
Community Services	103,602	115,808	107,531	119,004	113,273
Employee Benefits	12,450,833	11,886,104	12,190,575	12,009,414	12,680,439
Debt Service	4,951,923	5,622,837	4,914,515	4,934,462	4,574,310
Total Expenditures	<u>51,379,695</u>	<u>52,362,276</u>	<u>52,361,602</u>	<u>53,003,051</u>	<u>54,239,904</u>
Excess (Deficit) of Revenues Over Expenditures	755,865	(121,802)	(1,117,371)	(832,872)	861,852
Other Financing Sources (Uses)					
Operating Transfers In					
Operating Transfers Out	(472,431)	(292,975)	(318,796)	(432,816)	(859,738)
Total Other Financing Sources (Uses)	<u>(472,431)</u>	<u>(292,975)</u>	<u>(318,796)</u>	<u>(432,816)</u>	<u>(859,738)</u>
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	283,434	(414,777)	(1,436,167)	(1,265,688)	2,114
Fund Balance - Beg. of Year	10,136,379	10,413,886	9,999,109	8,562,942	7,297,254
Adjustments	<u>(5,927)</u>				
Fund Balance - End of Year	<u>\$ 10,413,886</u>	<u>\$ 9,999,109</u>	<u>\$ 8,562,942</u>	<u>\$ 7,297,254</u>	<u>\$ 7,299,368</u>

Source: Audited Financial Statements (2015-2019)

NOTE: This table NOT audited

Comparative Balance Sheet
General Fund

	<u>Fiscal Year Ending June 30:</u>	
	<u>2018</u>	<u>2019</u>
Assets:		
Cash	\$ 8,834,225	\$ 7,302,603
Due From Other Funds	1,984,541	1,792,040
Advances to Capital Fund	129,940	413,475
Due From State & Federal	80,669	79,910
Due From Other Governments	1,375,268	2,478,373
Other Receivables, Net	12,108	43,398
Prepaid Expenditures	<u>2,785</u>	<u>755</u>
Total Assets	<u>\$ 12,419,536</u>	<u>\$ 12,110,554</u>
Liabilities & Deferred Revenue:		
Accounts Payable	\$ 1,048,852	\$ 1,012,339
Accrued Liabilities	104,357	189,709
Due to Other Funds	31,645	1,732
Due to Other Governments	77,135	46,319
Due to Retirement Systems	2,654,194	2,904,180
Compensated Absences	722,279	568,321
Collections in Advance	83,933	88,586
Deferred Revenue - Contingent Fund	<u>399,887</u>	<u></u>
Total Liabilities & Deferred Revenue	<u>\$ 5,122,282</u>	<u>\$ 4,811,186</u>
Fund Balance:		
Nonspendable	\$ 132,725	\$ 414,230
Restricted	3,837,576	3,633,005
Assigned	1,225,681	1,214,916
Unassigned	<u>2,101,272</u>	<u>2,037,217</u>
Total Fund Balance	<u>\$ 7,297,254</u>	<u>\$ 7,299,368</u>
Total Liabilities and Fund Equity	<u>\$ 12,419,536</u>	<u>\$ 12,110,554</u>

Source: Audited Financial Statements
NOTE: This table NOT audited

Budget Summaries

	<u>2020-2021^a</u>	<u>2019-2020^b</u>
Real Property Taxes &		
Other Real Property Tax Items	\$ 31,791,179	\$ 31,267,836
Charges for Services	22,472,473	21,933,957
State Sources	2,311,425	2,474,548
Miscellaneous	701,550	661,893
Use of Reserves	480,600	480,600
Appropriations	<u>1,200,000</u>	<u>1,200,000</u>
 Total Revenues	 <u>\$ 58,957,227</u>	 <u>\$ 58,018,834</u>
 Expenditures:		
General Support	\$ 8,163,032	\$ 7,991,067
Instruction	29,843,646	28,964,987
Pupil Transportation	1,716,703	1,864,165
Community Services	130,230	127,918
Employee Benefits	13,635,214	13,608,271
Debt Service	4,566,402	4,560,426
Interfund Transfers	<u>902,000</u>	<u>902,000</u>
 Total Expenditures	 <u>\$ 58,957,227</u>	 <u>\$ 58,018,834</u>

a. The 2020-2021 budget was approved by the voters of the District on June 16, 2020.

b. The 2019-2020 budget was approved by the voters of the District on May 21, 2019

Source: Adopted Budgets of the District

APPENDIX B

CASH FLOWS

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2019-2020 (000's)^a

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance ^b	6,739	2,474	10,755	7,236	4,802	3,745	1,316	14,248	12,753	13,756	12,182	13,754	6,739
Receipts ^c													
Property Taxes							17,186	980	490	539	8,617	5,429	33,241
PILOT										25		123	148
STAR Payment							323						323
State Aid		90	22	105	12	111	13	68	520			198	1,139
Tuition	546	28	1,231	1,525	2,988	882	2,419	1,915	3,859	1,456	2,061	1,322	20,232
Other Receipts	33	29	119	204	111	120	227	129	104	1	126	286	1,489
Interest & Earnings	9	8	14	10	6	3	13	17	13	3	5	8	109
TAN Proceeds		11,068											11,068
Total Receipts	588	11,223	1,386	1,844	3,117	1,116	20,181	3,109	4,986	2,024	10,809	7,366	67,749
Disbursements													
Payroll	405	968	2,598	2,579	2,599	2,563	4,020	2,530	2,436	2,443	2,503	6,416	32,060
Accounts Payable	2,208	919	1,079	1,699	1,575	918	2,540	951	972	1,155	977	1,449	16,442
Payments to WH Free Library			575			64	510		575			575	2,299
Bond Payments	2,240	198					179	1,123					3,740
Installation Debt			653										653
Transfer to Other Funds		857										45	902
TAN Repayment											5,757	5,429	11,186
Total Disbursements	4,853	2,942	4,905	4,278	4,174	3,545	7,249	4,604	3,983	3,598	9,237	13,914	67,282
Balance	2,474	10,755	7,236	4,802	3,745	1,316	14,248	12,753	13,756	12,182	13,754	7,206	7,206
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	5,757	0
Receipts	0	0	0	0	0	0	0	0	0	0	5,757	5,429	11,186
Disbursements	0	0	0	0	0	0	0	0	0	0	0	11,186	11,186
Closing Balance	0	0	0	0	0	0	0	0	0	0	5,757	0	0

a. Any extensions granted to pay school district property taxes, without interest or penalty, may impact the anticipated timing of the receipt of property taxes by the District.

See "Tax Collection Procedure" for more information.

b. Includes a portion of Restricted Reserves.

c. Includes Library Taxes.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTION 2020-2021 (000's)^a

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance ^b	7,206	3,654	12,610	8,618	5,879	3,598	944	13,560	12,164	10,387	9,601	12,489	7,206
Receipts ^c													
Property Taxes							15,027	1,756	894	833	5,154	10,145	33,809
PILOT											16	128	144
STAR Payment							323						323
State Aid	74	102	91	71	14	117	14	31	371	27	34	186	1,132
Tuition	848	718	1,014	1,315	2,263	1,437	2,592	1,410	2,297	1,935	2,412	2,316	20,557
Other Receipts	60	38	94	99	98	128	128	107	155	89	108	197	1,301
Interest & Earnings	8	8	10	7	5	3	10	13	12	10	11	14	111
TAN Proceeds		11,000											11,000
Total Receipts	990	11,866	1,209	1,492	2,380	1,685	18,094	3,317	3,729	2,894	7,735	12,986	68,377
Disbursements													
Payroll	509	838	2,730	2,755	2,607	2,769	3,081	2,634	3,222	2,704	2,739	7,066	33,654
Accounts Payable	1,754	1,038	1,233	1,476	2,054	1,513	1,732	927	1,699	976	1,053	1,433	16,888
Payments to WH Free Library			585			57	528		585			585	2,340
Bond Payments	2,279	177					137	1,152					3,745
Installation Debt			653										653
Transfer to Other Funds		857											857
TAN Repayment											1,055	10,145	11,200
Total Disbursements	4,542	2,910	5,201	4,231	4,661	4,339	5,478	4,713	5,506	3,680	4,847	19,229	69,337
Balance	3,654	12,610	8,618	5,879	3,598	944	13,560	12,164	10,387	9,601	12,489	6,246	6,246
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	1,055	0
Receipts	0	0	0	0	0	0	0	0	0	0	1,055	10,145	11,200
Disbursements	0	0	0	0	0	0	0	0	0	0	0	11,200	11,200
Closing Balance	0	0	0	0	0	0	0	0	0	0	1,055	0	0

a. Any extensions granted to pay school district property taxes, without interest or penalty, may impact the anticipated timing of the receipt of property taxes by the District.

See "Tax Collection Procedure" for more information.

b. Includes a portion of Restricted Reserves.

c. Includes Library Taxes.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT

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R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Westhampton Beach Union Free School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds information of the Westhampton Beach Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Westhampton Beach Union Free School 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 of 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 entity'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 entity'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.

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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 fund information of the Westhampton Beach Union Free School District, as of June 30, 2019, and the respective changes in financial position for the fiscal 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 the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's Total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 58 through 62, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Westhampton Beach Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the Westhampton Beach 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 solely 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 the effectiveness of Westhampton Beach Union Free School District's 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 Westhampton Beach Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 11, 2019

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following is a discussion and analysis of the Westhampton Beach Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District continued to invest the majority of its resources in educating the students of Westhampton Beach and other school districts, as evidenced by general instructional and the transportation expenses equaling 81.16% percent of total expenses for the 2018-2019 fiscal year.
- The District's total net position (deficit), as reflected in the District-Wide Financial Statements, was (\$5,693,620) at year end. This was due to an excess of expenses over revenues based on the accrual basis of accounting.
- The District's expenses for the fiscal year, as reflected in the District-Wide Financial Statements, totaled \$58,566,784. Of this amount \$22,644,981 was offset by program charges for services and operating grants. General revenues of \$34,051,748 amount to 60.06% of total revenues. See Table A-4.
- On May 21, 2019 the proposed 2019-2020 budget in the amount of \$58,018,834 was authorized by the District's residents. This budget stayed within the property tax cap limit implemented by the Legislature of New York State.
- The District continued to offer all programs, without reducing services, while maintaining fund balances.

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:

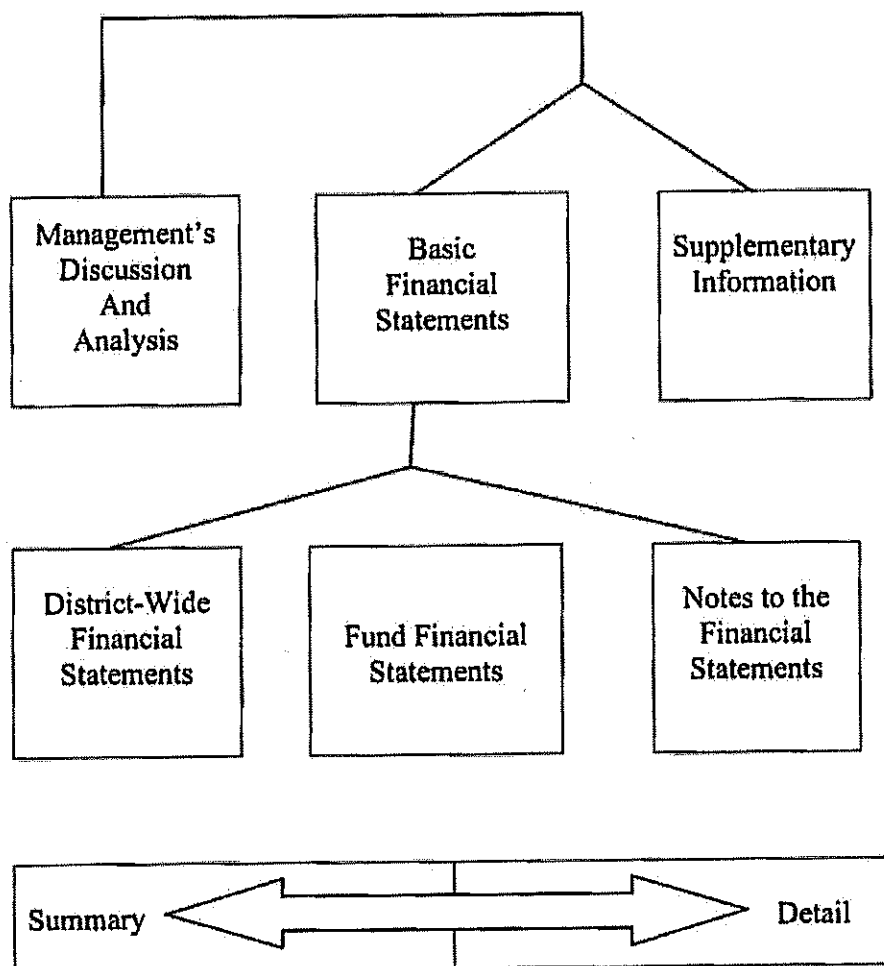
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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



**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<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 Balance 	<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 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 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

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

A. District-Wide Statements

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

The two District-Wide Statements report the District's net position and how it has 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 are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

District-Wide Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of 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 investments in capital assets*;
 - *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;
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

B. Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York. The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Statements, an additional schedule explains the relationship (or differences) between them. In summary, the government fund 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 lunch fund, and capital project 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. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$1,870,055 to a deficit of \$5,693,620 for the fiscal year ending June 30, 2019, primarily due to change in assumptions for reporting requirements for pensions and other post-employment benefits; as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$ 12,203,805	\$ 12,401,957	\$ (198,152)	-1.60%
Capital assets, net	50,513,879	50,593,604	(79,725)	-0.16%
Net pension assets - proportionate share	2,643,069	1,116,976	1,526,093	136.63%
Total Assets	65,360,753	64,112,537	1,248,216	1.95%
Deferred Outflows of Resources	28,020,100	16,631,419	11,388,681	68.48%
Total Assets & Deferred Outflows of Resources	93,380,853	80,743,956	12,636,897	15.65%
Other liabilities	5,354,722	5,183,533	171,189	3.30%
Long-term liabilities	88,188,010	71,953,627	16,234,383	22.56%
Total Liabilities	93,542,732	77,137,160	16,405,572	21.27%
Deferred Inflows of Resources	5,531,741	7,430,361	(1,898,620)	-25.55%
Net investment in capital assets	29,518,346	28,065,893	1,452,453	5.18%
Restricted	3,658,041	3,851,870	(193,829)	-5.03%
Unrestricted (Deficit)	(38,870,007)	(35,741,328)	(3,128,679)	8.75%
Total Net Position (Deficit)	\$ (5,693,620)	\$ (3,823,565)	\$ (1,870,055)	48.91%

Current assets and other assets decreased by \$198,152 from 2018 to 2019 primarily due to a decrease in cash, partially offset by increases in state and federal aid receivables, and due from other governments. Capital assets, net of depreciation decreased by \$79,725. This is due to current year depreciation expense and the retirement of assets exceeding capital additions. The District reported a net pension asset - proportionate share for the teachers' retirement system of \$2,643,069 as a result of the actuarial valuation provided by the state. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 13, as well as amortization on the deferred outflows related to the other post-employment benefits obligation as discussed in Note 15.

Other liabilities increased by \$171,189. This increase is primarily due to increases in accrued liabilities and due to teachers' retirement system, partially offset by decreases in accounts payable, due to other governments, compensated absences, due to fiduciary fund and accrued interest payable.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Long-term liabilities increased by \$16,234,383 primarily due to the changes in assumptions in the actuarial valuation of the other post-employment benefits obligation, as well as increases in installment debt and the net pension liability – proportionate share – for the employee's retirement system, as actuarially determined. These increases were partially offset by decreases in bonds payable. The change in deferred inflows of resources represent amortization of pension related items as discussed in Note 13, and the changes in inflows related to other post-employment benefits as discussed in Note 15.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$1,452,453 due to capital additions and the reduction of debt exceeding depreciation expense and loss on disposals.

The restricted net position at June 30, 2019, is comprised of amounts with constraints placed on the use 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 unrestricted net position (deficit) relates to the balance of the District's net position. This deficit increased by \$3,128,679 from the prior year.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019 and 2018 are as follows:

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

	Fiscal Year 2019	Fiscal Year 2018*	Increase/ (Decreases)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$21,611,394	\$20,685,010	\$926,384	4.48%
Operating and capital grants	1,033,771	1,218,813	(185,042)	-15.18%
General Revenues				
Real property taxes and other tax items	30,699,937	29,382,382	1,317,555	4.48%
State sources	2,476,968	2,352,946	124,022	5.27%
Use of money and property	180,571	132,446	48,125	36.34%
Other	694,088	102,143	591,945	579.53%
Total Revenues	<u>\$56,696,729</u>	<u>\$53,873,740</u>	<u>\$2,822,989</u>	<u>5.24%</u>
Expenses				
General support	\$ 8,819,687	\$ 8,375,779	\$ 443,908	5.30%
Instruction	45,981,230	42,876,144	3,105,086	7.24%
Pupil transportation	1,552,163	1,485,585	66,578	4.48%
Community service	165,640	167,968	(2,328)	-1.39%
Food service program	1,013,565	967,738	45,827	4.74%
Debt service - interest	1,034,499	1,084,950	(50,451)	-4.65%
Total Expenses	<u>58,566,784</u>	<u>54,958,164</u>	<u>3,608,620</u>	<u>6.57%</u>
Increase (Decrease) in Net Position	<u>(\$1,870,055)</u>	<u>(\$1,084,424)</u>	<u>(\$785,631)</u>	<u>-72.45%</u>

*Reclassifications have been made to the 2018 revenues to conform to the 2019 reporting. These reclassifications had no net effect on total revenues or the total increase (decrease) in net position as previously reported.

The District's total fiscal year 2019 revenues totaled \$56,696,729 (See Table A-4). Real property tax and other tax items and charges for services accounted for most of the District's revenue by contributing 54.15% and 38.12%, respectively of total revenue (See Table A-5). The remainder came from state sources, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$58,566,784 for fiscal year 2019. These expenses are predominately related to general instruction and transporting students, which account for 81.16% of District expenses. (See Table A-6). The District's general support activities accounted for 15.06% of total costs.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Table A-5: Revenues for Fiscal Year 2019 (See Table A-4)

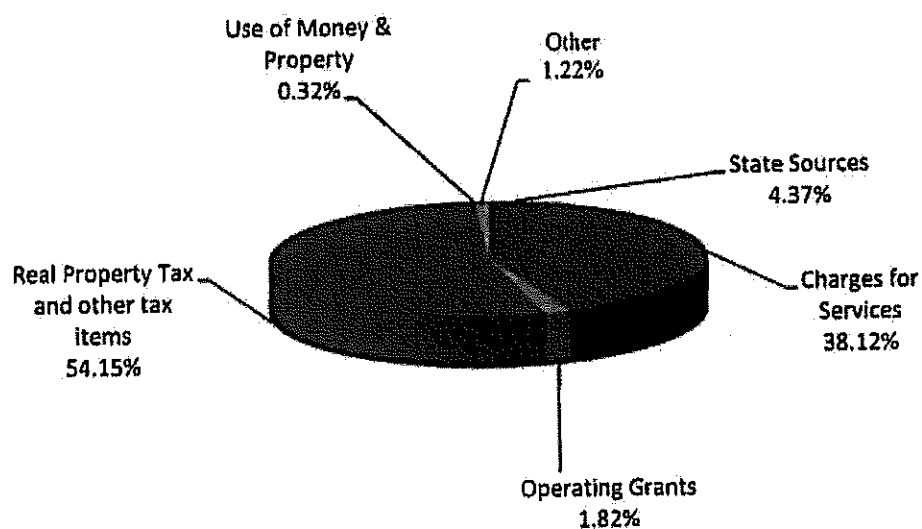
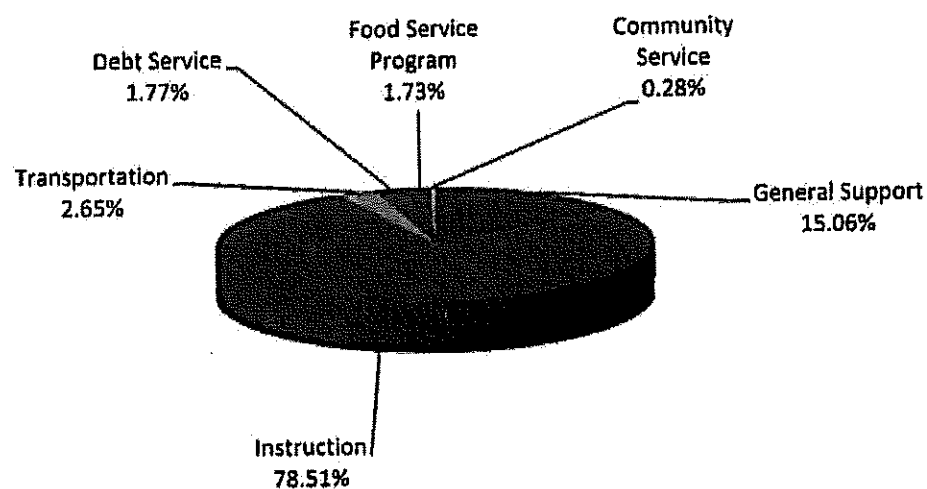


Table A-6: Expenses for Fiscal Year 2019 (See Tables A-4 and A-7)



**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

C. Governmental Activities

Revenues for the District's governmental activities totaled \$56,696,729 while total expenses equaled \$58,566,784, resulting in a decrease in total net position of \$1,870,055. 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 of Education and administration;
- Continued tuition revenue from other Districts;
- Strategic use of services from the Eastern Suffolk BOCES;
- Improved curriculum and community support;

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2019	2018	2019	2018
General support	\$ 8,819,687	\$ 8,375,779	\$ 8,819,687	\$ 8,163,847
Instruction	45,981,230	42,876,144	24,251,307	22,093,867
Pupil transportation	1,552,163	1,485,585	1,498,150	1,429,285
Community service	165,640	167,968	165,640	103,293
Food service program	1,013,565	967,738	152,336	179,099
Debt service -interest	1,034,499	1,084,950	1,034,499	1,084,950
Total	<u>\$58,566,784</u>	<u>\$54,958,164</u>	<u>\$35,921,619</u>	<u>\$33,054,341</u>

- The cost of all governmental activities this year was \$58,566,784 (Statement of Activities Expenses column-see Exhibit 3)
- The users of the District's programs financed \$21,611,394 of the cost. (Statement of Activities Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$1,033,771. (Statement of Activities Operating Grants column – see Exhibit 3)
- Most of the District's net costs of \$35,921,619 were financed by District taxpayers. (Statements of Activities Net (Expenses) Revenue column-see Exhibit 3)

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2019, the District's combined governmental funds reported a total fund balance of \$7,182,385 which is a decrease of \$18,786 from the prior year. This decrease is due to a deficit in the capital projects fund offset by surpluses in the general fund, special aid fund and the school lunch fund. The general fund has a fund balance of \$7,299,368 which is an increase of \$2,114 from the prior year.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

	Fiscal Year 2019	Fiscal Year 2018	Increase/ Decrease	Total % Change
General Fund				
Nonspendable - prepaid expenses	\$ 414,230	\$ 132,725	\$281,505	212.10%
Restricted for unemployment insurance	368,570	365,393	3,177	0.87%
Restricted for workers' compensation	229,696	68,943	160,753	233.17%
Restricted for employee benefit accrued liability	2,290,153	2,442,264	(152,111)	-6.23%
Restricted for retirement contributions	744,586	960,976	(216,390)	-22.52%
Assigned - designated for subsequent year's expenditures	1,200,000	1,200,000	-	0.00%
Assigned for general support	6,933	-	6,933	N/A
Assigned for instruction	7,983	25,681	(17,698)	-68.91%
Unassigned	2,037,217	2,101,272	(64,055)	-3.05%
Total Fund Balance - General Fund	<u>7,299,368</u>	<u>7,297,254</u>	<u>2,114</u>	<u>0.03%</u>
Special Aid Fund				
Assigned - teachers' center	117,322	96,093	21,229	22.09%
Total Fund Balance - Special Aid Fund	<u>117,322</u>	<u>96,093</u>	<u>21,229</u>	<u>22.09%</u>
School Lunch Fund				
Nonspendable - inventory	16,606	16,961	(355)	-2.09%
Assigned	84,886	48,990	35,896	73.27%
Total Fund Balance - School Lunch Fund	<u>101,492</u>	<u>65,951</u>	<u>35,541</u>	<u>53.89%</u>
Capital Projects Fund				
Restricted	25,036	14,294	10,742	75.15%
Unassigned	(360,833)	(272,421)	(88,412)	32.45%
Total Fund Balance - Capital Projects Fund	<u>(335,797)</u>	<u>(258,127)</u>	<u>(77,670)</u>	<u>30.09%</u>
Total Fund Balance - All Funds	<u>\$7,182,385</u>	<u>\$7,201,171</u>	<u>(\$18,786)</u>	<u>-0.26%</u>

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

The District can attribute the change to fund balance in the school lunch fund to the current year's operating profit.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District can attribute the decrease in fund balance in the capital projects fund to expenditures exceeding the interfund transfer from the general fund and the proceeds from the issuance of the installment debt.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$57,112,093. This amount was increased by encumbrances carried forward from the prior year in the amount of \$25,681 and budget revisions of \$444,267 which resulted in a final budget of \$57,582,041. The majority of the funding was real property taxes/other tax items and charges for services revenue of \$30,418,867 and \$22,033,116 respectively.

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

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

Opening, unassigned fund balance	\$ 2,101,272
Revenues under budget	(43,231)
Expenditures and encumbrances under budget	2,467,483
Unused appropriated reserves	(127,674)
Interest allocated to reserves	(77,723)
Replenishment of reserves	(801,405)
Change in non spendable	(281,505)
Designated for subsequent year's budget	(1,200,000)
Closing, unassigned fund balance	<u>\$ 2,037,217</u>

The \$2,101,272 represents the portion of the District's June 30, 2018 fund balance that was retained as unassigned fund balance.

The revenues under budget of \$43,231 were primarily due to shortfalls in charges for services – prior year tuition reconciliations, offset by other revenues. (See Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$2,467,483 were primarily in instruction, special education, transportation and employee benefits (See Supplemental Schedule #1 for detail).

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

In the final revenue budget for 2018-2019, the District appropriated \$848,257 in reserves. Due to lower than anticipated expenditures, \$127,674 of this funding was not needed and, therefore, was returned to the reserves for future use.

Interest was allocated to reserves in the amount of \$77,723 as follows: workers' compensation reserve in the amount of \$752, unemployment insurance reserve in the amount of \$6,105, retirement contribution reserve in the amount of \$11,266 and employee benefit accrued liability reserve in the amount of \$59,600.

The District funded the reserves in the amount of \$801,405 as follows: \$200,000 to the workers' compensation reserve, \$301,405 to the employee benefit accrued liability reserve, and \$300,000 to the ERS retirement contribution reserve.

The change in non-spendable is due to an increase in the advance to capital projects fund in the amount of \$283,535 offset by previous year prepaid expense of \$2,030.

The amount designated for subsequent years budget reduces the amount to be raised by taxes therefore it reduces the amount of unassigned fund balance.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is approximately 3.51% of the 2019-2020 budget. This amount is limited to 4% of the 2019-2020 budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District paid for equipment, building improvements and land improvements during the fiscal year 2019. A summary of the District's capital assets net of depreciation are as follows:

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

Category	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percentage Change
Land & land improvements	\$4,254,372	\$4,116,361	\$138,011	3.35%
Buildings & building improvements	75,222,478	74,605,822	616,656	0.83%
Infrastructure	13,477	13,477	-	0.00%
Furniture, equipment & vehicles	6,660,774	6,930,767	(269,993)	-3.90%
Subtotal	86,151,101	85,666,427	484,674	0.57%
Less: Accumulated depreciation	35,637,222	35,072,823	564,399	1.61%
Total net capital assets	\$50,513,879	\$50,593,604	(\$79,725)	-0.16%

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District spent \$2,864,971 in the capital projects fund on land and building improvements and a computer installment purchase during the year. In addition, the general fund spent \$202,682 on furniture, equipment, and vehicles, and the school lunch fund spent \$8,585 on equipment. These additions were offset by current year depreciation and loss on disposals of \$3,155,963.

B. Long-Term Debt Obligations

At June 30, 2019, the District had total bonds payable of \$19,690,000 and installment debt of \$1,305,533 for district-wide computers. The decrease in outstanding debt is due to current year principal payments. A summary of outstanding debt at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Serial bonds	\$ 19,690,000	\$ 22,501,000	\$ (2,811,000)
Installment debt	1,305,533	-	1,305,533
Energy performance debt	-	26,711	(26,711)
Total	<u>\$ 20,995,533</u>	<u>\$ 22,527,711</u>	<u>\$ (1,532,178)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A. With the uncertain economic condition of New York State and further reductions in state aid, the District continues to take an in-depth look at efficient spending practices and must continue to account for the growing number of unfunded federal and state mandated expenses. The general fund budget for the 2019-2020 school year in the amount of \$58,018,834 representing an increase of 1.59% or \$906,741 over the previous year's budget, was approved by voters and reflects the needs of all our students.
- B. On August 22, 2019 the District issued a tax anticipation note in the amount of \$11,000,000 maturing on June 25, 2020 with an interest rate of 2.00%, with a premium of \$68,310 providing an overall effective net interest rate of 1.262178%.
- C. While preparing the 2019-20 general fund budget, the District's administration informed and educated our tax payers about the New York State property tax cap. The law sets a threshold for the proposed tax increase. The District successfully passed the 2019-20 budget by staying within this threshold and will be able to maintain its' commitment to meeting the needs of each and every student in the most efficient and effective manner possible. This process will continue for the subsequent year's budget as well.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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:

Westhampton Beach Union Free School District
Ms. Kathleen O'Hara
Assistant Superintendent for Business
240 Mill Road
Westhampton Beach, New York 11978
(631) 288-3800

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS**Current assets****Cash**

Unrestricted cash	\$ 5,245,033
Restricted cash	3,658,041

Receivables

Due from fiduciary fund	13,050
State and federal aid receivable	744,677
Due from other governments	2,478,373
Other receivables	47,270

Inventories

16,606

Prepaid expenses

755

Non-current assets**Capital assets**

Not being depreciated	770,620
Being depreciated, net of accumulated depreciation	49,743,259
Net pension asset - proportionate share - teachers' retirement system	2,643,069

TOTAL ASSETS65,360,753**DEFERRED OUTFLOWS OF RESOURCES****Pensions**

14,889,624

Other post-employment benefits obligations13,130,476**TOTAL DEFERRED OUTFLOWS OF RESOURCES**28,020,100**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**93,380,853**LIABILITIES****Payables**

Accounts payable	1,044,173
Accrued liabilities	332,620
Accrued interest payable	333,302
Due to other governments	53,672
Due to teachers' retirement systems	2,688,175
Due to employees' retirement systems	224,609
Compensated absences	568,321

Unearned credits

Collections in advance	109,850
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Long-term liabilities**Due and payable within one year**

Bonds payable	2,945,000
Installment debt	652,767
Compensated absences	200,000

Due and payable after one year

Claims payable	890,437
Bonds payable	16,745,000
Installment debt	652,766
Compensated absences	4,710,212
Total other post-employment benefits obligation	60,112,953
Net pension liability - proportionate share - employees' retirement system	1,278,875

TOTAL LIABILITIES93,542,732**DEFERRED INFLOWS OF RESOURCES****Pensions**

3,765,142

Total other post-employment benefits obligation1,766,599**TOTAL DEFERRED INFLOWS OF RESOURCES**5,531,741**TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**99,074,473**NET POSITION**

Net investment in capital assets	29,518,346
----------------------------------	------------

Restricted

Unemployment insurance	368,570
Workers' compensation	229,696
Employee benefit accrued liability	2,290,153
Retirement contribution	744,586
Capital	25,036

3,658,041**Unrestricted (deficit)**(38,870,007)**TOTAL NET POSITION (DEFICIT)**\$ (5,693,620)

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
General Support	\$ 8,819,687			\$ (8,819,687)
Instruction	45,981,230	\$ 21,050,056	\$ 679,867	(24,251,307)
Pupil transportation	1,552,163		54,013	(1,498,150)
Community services	165,640			(165,640)
Food service program	1,013,565	561,338	299,891	(152,336)
Debt service interest	1,034,499			(1,034,499)
TOTAL FUNCTIONS / PROGRAMS	\$ 58,566,784	\$ 21,611,394	\$ 1,033,771	(35,921,619)
GENERAL REVENUES				
Real property taxes				29,799,684
Other tax items				900,253
State sources				2,476,968
Federal sources				92,935
Use of money and property				180,571
Sale of property and compensation for loss				526,834
Miscellaneous				74,319
TOTAL GENERAL REVENUES				34,051,564
CHANGE IN NET POSITION				(1,870,055)
TOTAL NET POSITION - BEGINNING OF YEAR				(3,823,565)
TOTAL NET POSITION - END OF YEAR				\$ (5,693,620)

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash					
Unrestricted	\$ 3,669,598	\$ 431,339	\$ 216,663	\$ 927,433	\$ 5,245,033
Restricted	3,633,005			25,036	3,658,041
Receivables					1,792,040
Due from other funds	1,792,040				413,475
Advances to capital fund	413,475				744,677
State and federal aid receivable	79,910	640,359	24,408		2,478,373
Due from other governments	2,478,373				47,270
Other receivables	43,398		3,872		755
Prepaid expenditures	755				16,606
Inventories			16,606		
TOTAL ASSETS	<u>\$ 12,110,554</u>	<u>\$ 1,071,698</u>	<u>\$ 261,549</u>	<u>\$ 952,469</u>	<u>\$ 14,396,270</u>
LIABILITIES					
Payables					
Accounts payable	1,012,339	18,410	1,167	12,257	1,044,173
Accrued liabilities	189,709	13,859	26,501	102,551	332,620
Due to other funds	1,732	913,646	103,629	759,983	1,778,990
Advances from general fund				413,475	413,475
Due to other governments	46,319	5,960	1,393		53,672
Due to teachers' retirement system	2,688,175				2,688,175
Due to employees' retirement system	216,005		8,604		224,609
Compensated absences	568,321				568,321
Unearned credits					
Collections in advance	88,586	2,501	18,763		109,850
TOTAL LIABILITIES	<u>4,811,186</u>	<u>954,376</u>	<u>160,057</u>	<u>1,288,266</u>	<u>7,213,885</u>
FUND BALANCES					
Nonspendable	414,230		16,606		430,836
Restricted					368,570
Unemployment insurance	368,570				229,696
Workers' compensation	229,696				2,290,153
Employee benefit accrued liability	2,290,153				744,586
Retirement contribution	744,586				25,036
Capital				25,036	
Assigned					1,200,000
Appropriated fund balance	1,200,000				217,124
Unappropriated fund balance	14,916	117,322	84,886		1,676,384
Unassigned	2,037,217			(360,833)	
TOTAL FUND BALANCES	<u>7,299,368</u>	<u>117,322</u>	<u>101,492</u>	<u>(335,797)</u>	<u>7,182,385</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,110,554</u>	<u>\$ 1,071,698</u>	<u>\$ 261,549</u>	<u>\$ 952,469</u>	<u>\$ 14,396,270</u>

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total Governmental Fund Balances \$ 7,182,385

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

The cost 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	\$ 86,151,101	
Accumulated depreciation	<u>(35,637,222)</u>	50,513,879

Deferred inflows of resources - the Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows related to pensions	\$ (3,765,142)	
Deferred inflows related to total OPEB liability	<u>(1,766,599)</u>	(5,531,741)

Deferred outflows of resources - the Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. These amounts will be recognized as expenditures in future periods.

Deferred outflows related to pensions	\$ 14,889,624	
Deferred outflows related to total OPEB liability	<u>13,130,476</u>	28,020,100

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset - proportionate share at year-end for the teachers' retirement system was:

2,643,069

Payables associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relative to long-term liabilities at year end consist of accrued interest on bonds and installment debt.

(333,302)

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 consist of:

Workers' compensation claims payable	\$ (890,437)	
Bonds payable	(19,690,000)	
Installment purchase debt	(1,305,533)	
Compensated absences	(4,910,212)	
Total other post-employment benefits (OPEB) obligation	(60,112,953)	
Net pension liability - proportionate share - employees' retirement system	<u>(1,278,875)</u>	(88,188,010)

Total Net Position

\$ (5,693,620)

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 29,799,684				\$ 29,799,684
Other real property tax items	900,253				900,253
Charges for services	21,050,056				21,050,056
Use of money and property	180,707		\$ 48		180,755
Sale of property and compensation for loss	526,834				526,834
Miscellaneous	74,319				74,319
State sources	2,476,968	\$ 257,400	9,571		2,743,939
Federal sources	92,935	476,296	274,370		843,601
Surplus food			15,950		15,950
Cafeteria sales			561,338		561,338
TOTAL REVENUES	55,101,756	733,696	861,277	-	56,696,729
EXPENDITURES					
General support	5,461,550				5,461,550
Instruction	29,912,882	688,492			30,601,374
Pupil transportation	1,497,450	54,713			1,552,163
Community services	113,273				113,273
Employee benefits	12,680,439				12,680,439
Debt service-principal	3,490,479				3,490,479
Debt service-interest	1,083,831				1,083,831
Cost of cafeteria sales			825,736		825,736
Capital outlay				\$ 2,864,971	2,864,971
TOTAL EXPENDITURES	54,239,904	743,205	825,736	2,864,971	58,673,816
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENDITURES	861,852	(9,509)	35,541	(2,864,971)	(1,977,087)
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in		30,738		829,000	859,738
Operating transfers out	(859,738)				(859,738)
Proceeds of installment debt				1,958,301	1,958,301
TOTAL OTHER FINANCING SOURCES AND (USES)	(859,738)	30,738		2,787,301	1,958,301.00
NET CHANGE IN FUND BALANCES	2,114	21,229	35,541	(77,670)	(18,786)
FUND BALANCES - BEGINNING OF YEAR	7,297,254	96,093	65,951	(258,127)	7,201,171
FUND BALANCES - END OF YEAR	\$ 7,299,368	\$ 117,322	\$ 101,492	\$ (335,797)	\$ 7,182,385

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances \$ (18,786)

Amounts reported for governmental activities in the Statement of Activities include the following:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of fiscal resources used.

Increase in compensated absences	\$ (410,184)	
Increase in total other post-employment benefits obligation and related deferred inflows and outflows of resources	<u>(3,095,227)</u>	(3,505,411)

Workers' compensation claims are reported in the governmental funds as an expenditure when they are due. In the Statement of Activities, however, the payable is recognized when the expense is incurred regardless of when it is due. Accrued workers' compensation claims payable from June 30, 2018 to June 30, 2019 changed by (254,388)

Capital Related Items

The cost of acquiring land, buildings, building improvements and equipment are reported as expenditures in the governmental funds. 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 expenses in the Statement of Activities.

Capital expenditures (all funds)	\$ 3,076,238	
Depreciation expense & loss on disposal	<u>(3,155,963)</u>	(79,725)

Long Term Debt Differences

Interest on long-term debt is reported as an expenditure in the governmental funds when it is due. This requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2018 to June 30, 2019 changed by 49,332

Governmental funds report the issuance of debt as revenue, whereas the amount is recognized as long-term debt in the statement of net assets. (1,958,301)

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. 2,811,000

Repayment of installment debt 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. 652,768

Repayment of energy performance debt 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. 26,711

Pension Differences

(Increase)/decrease in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds.

Teachers' retirement system	\$ 476,593	
Employees' retirement system	<u>(69,848)</u>	<u>406,745</u>

Change in Net Position

\$ (1,870,055)

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash	\$ 43,504	\$ 242,206
Accounts receivable		47
TOTAL ASSETS	<u>\$ 43,504</u>	<u>\$ 242,253</u>
 LIABILITIES		
Due to governmental fund		\$ 13,050
Extraclassroom activity balances		123,039
Other liabilities		106,164
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 242,253</u>
 NET POSITION		
Held in trust for:		
Endowment scholarships	\$ 43,504	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 43,504</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Private Donations	\$ 8,125
Interest	43
TOTAL ADDITIONS	<u>8,168</u>
 DEDUCTIONS	
Scholarship expenses	<u>14,750</u>
CHANGE IN NET POSITION	(6,582)
 NET POSITION - BEGINNING OF THE YEAR	<u>50,086</u>
 NET POSITION - END OF THE YEAR	<u><u>\$ 43,504</u></u>

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (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 the 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 No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statement 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 its component unit 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 financial statements.

Extraclassroom Activity Funds

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

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 reflects capital specific grants, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 Lunch Fund: This fund is used to account for the activities of the District's food service operations. The program operations are supported by federal and state reimbursements, based on meal counts for free and reduced participants.

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 Funds: 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. There are two classes of fiduciary funds:

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

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

D) Measurement focus and basis of accounting:

The District-Wide Financial Statements 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. Non-exchange transactions, 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.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The 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 6 months 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, pension liabilities and other post-employment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Southampton during the period December 1, 2018 to June 1, 2019.

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 net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

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

In the District-Wide 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.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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) Advances to/from other funds:

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the next fiscal year. These advances are offset by recording non-spendable fund balance in the fund financial statements which indicates that the funds are not available financial resources to appropriate. Eliminations have been made for all advances between the governmental funds.

I) 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, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers' compensation claims, pension liabilities, potential contingent liabilities and useful lives of capital assets.

J) 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.

K) 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.

L) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market.

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

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

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

M) Capital assets:

Capital assets are reported at actual cost, when the information is available, or estimated historical cost 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 Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings & improvements	\$ 10,000	Straight-line	50 years
Land improvements	\$ 10,000	Straight-line	20 years
Furniture, equipment & vehicles	\$ 500	Straight-line	5-20 years

N) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance as of June 30, 2019 consist of summer recreation and driver's education fees in the general fund, federal and state grant monies received in advance in the special aid fund, and prepaid meals in the school lunch fund. See Note 10 for further detail.

O) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These amounts are related to pensions and other post-employment benefit liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 15.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

category. These amounts are related to pensions and other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13 and 15.

P) Vested employee benefits:

Compensated absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments be paid in the form of non-elective contributions into the employees 403(b) plan.

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

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

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

Q) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of the post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

R) Short-term debt:

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

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

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

The District may issue Revenue Deficiency Notes to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency note may not exceed five percent of the amount of that same year's annual budget.

S) Accrued liabilities and long-term obligations:

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

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

T) 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, construction or improvement of those assets, net of any unexpended proceeds and including any unamortized items.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors,

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

ii) Funds 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:

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. Non-spendable fund balance includes an advance to the capital projects fund in the amount of \$413,475 and prepaid expenses of \$755 in the general fund and inventory recorded in the school lunch fund of \$16,606.

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:

Unemployment Insurance Reserve

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

Workers' Compensation

Workers' Compensation Reserve (GML §6-j) is 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 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 as restricted fund balance.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
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Employee Benefit Accrued Liability

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' 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. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Capital

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by state sources.

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 for in the private purpose funds.

- 1) **Committed fund balance** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.
- 2) **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. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

The District has established a Fund Balance policy that allows the Board of Education or their designated official to set forth the fund balance that is assigned.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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- 3) **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 school district's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances, included in assigned fund balance are also excluded from the 4% limitation.

The unassigned deficit fund balance in the capital projects fund of (\$360,833) will be eliminated when the general fund provides budgetary appropriations in future budgets.

Order of Use of Fund Balance

The District applies 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 restricted fund balance. In the general fund, committed fund balance is determined next and then assigned fund balance. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

U) Future accounting standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Due to the differences in the measurement focus and basis of accounting used in the 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 resources measurement focus of the Statement of Activities, compared with the current financial resources 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. The difference primarily results from the additional long-term economic measurement focus of the Statement of Net Position versus the solely current financial resources measurement focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the four broad categories as shown below:

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 accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences

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

iii) Long-term debt transaction differences

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

iv) Pension differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between actual and expected experience, difference between projected and active earnings on pension plan investments, the District's contributions

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
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and its proportionate share of the total contributions to the pension system and District's contributions subsequent to the measurement date.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on supplemental schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of the 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 assignments or restrictions of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 No. 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) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by pledging financial institutions in the District's name 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, 2019 includes \$3,658,041 within the governmental funds for general reserve purposes and capital projects, and \$285,710 in the fiduciary funds.

B) Investment pool:

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and considered to be cash equivalents.

At June 30, 2019 the District held \$877,752 in investments consisting of various investments in securities issued by the United States and its agencies:

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Fund	Bank Balance
General Fund	\$520,221
Capital Fund	357,531
	<u>\$877,752</u>

Total investments of the cooperative at June 30, 2019 are \$2,256,570,644 which consisted of \$350,918,796 in repurchase agreements and \$1,905,651,848 in U.S Treasury Securities at various interest rates with various due dates. Total collateralized bank deposits of the cooperative at June 30, 2019 are \$235,026,621.

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is exempt from NYS collateral requirements. Additional information concerning the cooperative is presented in the annual report of Cooperative Liquid Assets Securities System –New York (CLASS), 717 17th Street, Suite 1850, Denver, Colorado 80202.

NYCLASS is rated AAAM by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of 2019, available at: <HTTP://WWW.NEWYORKCLASS.ORG>.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2019, the District was billed \$1,368,688 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$207,820.

Financial statements for the BOCES are available from the BOCES administrative office located at 201 Sunrise Highway, Patchogue, NY 11772.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2019 consisted of the following:

General Fund	
NYS excess cost aid	\$79,910
Total - General Fund	<u>79,910</u>
Special Aid Fund	
Federal grants	411,301
State grants	<u>229,058</u>
Total -Special Aid Fund	<u>640,359</u>
School Lunch Fund	
Federal reimbursement	23,566
State reimbursement	<u>842</u>
Total - School Lunch Fund	<u>24,408</u>
Total - State and federal aid receivable	<u><u>\$744,677</u></u>

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2019 consisted of the following:

Tuition billings	\$2,384,854
BOCES aid	<u>93,519</u>
Total - Due from other governments	<u><u>\$2,478,373</u></u>

District management has deemed the amounts to be fully collectible.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 770,620			\$ 770,620
Total capital assets not being depreciated	<u>770,620</u>	<u>-</u>	<u>-</u>	<u>770,620</u>
Capital assets that are depreciated:				
Buildings & improvements	74,605,822	\$ 616,656		75,222,478
Land improvement	3,345,741	138,011		3,483,752
Infrastructure	13,477			13,477
Furniture equipment & vehicles	6,930,767	2,321,571	\$ (2,591,564)	6,660,774
Total capital assets being depreciated	<u>84,895,807</u>	<u>3,076,238</u>	<u>(2,591,564)</u>	<u>85,380,481</u>
Less accumulated depreciation:				
Buildings & improvements	28,342,620	1,605,595		29,948,215
Land improvement	1,641,073	146,217		1,787,290
Infrastructure	1,883	674		2,557
Furniture, equipment & vehicles	5,087,247	664,354	(1,852,441)	3,899,160
Total accumulated depreciation	<u>35,072,823</u>	<u>2,416,840</u>	<u>(1,852,441)</u>	<u>35,637,222</u>
Total capital assets being depreciated, net	<u>49,822,984</u>	<u>659,398</u>	<u>(739,123)</u>	<u>49,743,259</u>
Capital assets, net	<u>\$ 50,593,604</u>	<u>\$ 659,398</u>	<u>\$ (739,123)</u>	<u>\$ 50,513,879</u>

Depreciation expense and loss on disposals were allocated to governmental functions as follows:

General support	\$ 1,828,911
Instruction	1,320,940
School lunch program	6,112
	<u>\$ 3,155,963</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$1,792,040	\$1,732		\$859,738
Special aid fund		913,646	\$30,738	
School lunch fund		103,629		
Capital projects fund		759,983	829,000	
Total government activities	1,792,040	1,778,990	859,738	859,738
Fiduciary agency fund		13,050		
Totals	<u>\$1,792,040</u>	<u>\$1,792,040</u>	<u>\$859,738</u>	<u>\$859,738</u>

	Advances To	Advances From
General fund	\$ 413,475	
Capital projects fund		\$ 413,475
Totals	<u>\$ 413,475</u>	<u>\$ 413,475</u>

The District typically transfers from the general fund to the capital projects fund to finance capital projects. The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The advances from the general fund to the capital projects fund represents the amount of the deficit in various District improvements in the capital projects fund, currently a deficit of \$413,475, which is not expected to be repaid in the next fiscal year.

NOTE 10 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2019 consisted of:

General Fund	
Summer program fees	\$ 63,014
Drivers Education	25,572
Total General Fund	<u>88,586</u>
Special Aid Fund	
State/federal grants	<u>2,501</u>
School Lunch Fund	
Prepaid meals and charged meals	<u>18,763</u>
Total Collections in Advance	<u>\$ 109,850</u>

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NOTE 11- SHORT-TERM DEBT:

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

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN 6/27/19	3.00%	\$ -	\$1,000,000	\$1,000,000	\$ -
TAN 6/27/19	3.25%	-	10,000,000	10,000,000	-
Total		<u>\$ -</u>	<u>\$11,000,000</u>	<u>\$11,000,000</u>	<u>\$ -</u>

The District issued the Tax Anticipation Note ("TAN") for the purpose of providing cash flow to the general fund in anticipation of revenues from real property taxes.

Net interest on short-term debt for the year was \$169,363.

NOTE 12 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable:					
Construction serial bonds	\$12,926,000		\$1,936,000	\$10,990,000	\$2,020,000
Construction serial bonds	9,575,000		875,000	8,700,000	925,000
Total bonds payable	<u>22,501,000</u>	<u>-</u>	<u>2,811,000</u>	<u>19,690,000</u>	<u>2,945,000</u>
Energy performance debt	26,711		26,711	-	
Installment debt		\$1,958,301	652,768	1,305,533	652,767
Other long-term liabilities:					
Compensated absences	4,500,028	978,505	568,321	4,910,212	200,000
Claims payable	636,049	368,800	114,412	890,437	
Total other post-employment benefits obligation	<u>43,670,600</u>	<u>17,585,786</u>	<u>1,143,433</u>	<u>60,112,953</u>	
Net pension liability - proportionate share	619,239	1,523,111	863,475	1,278,875	
Total long-term liabilities	<u>\$71,953,627</u>	<u>\$22,414,503</u>	<u>\$6,180,120</u>	<u>\$88,188,010</u>	<u>\$3,797,767</u>

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, installment purchase debt, energy performance debt, compensated absences, other post-employment benefits and net pension liability.

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A) Bonds Payable

Bonds payable are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction-Serial Bonds	9/1/2005	7/15/2024	3.25 - 4.0%	\$10,990,000
Construction-Serial Bonds	9/1/2007	3/1/2027	4.375 - 4.625%	8,700,000
				<u>\$19,690,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 2,945,000	\$ 794,659	\$ 3,739,659
2021	3,075,000	670,634	3,745,634
2022	3,210,000	540,759	3,750,759
2023	3,335,000	405,609	3,740,609
2024	3,485,000	264,959	3,749,959
2025-2027	3,640,000	339,896	3,979,896
	<u>\$ 19,690,000</u>	<u>\$ 3,016,516</u>	<u>\$ 22,706,516</u>

B) Installment Debt

Installment debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Computer Purchase	8/20/2018	9/15/2020	0.00%	<u>\$ 1,305,533</u>

The following is a summary of debt service requirements for installment debt:

Fiscal Year Ended June 30,	Principal
2020	\$ 652,767
2021	652,766
	<u>\$ 1,305,533</u>

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
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C) Long-term Interest

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

	<u>Total</u>
Interest paid	\$914,468
Less interest accrued in the prior year	(382,634)
Plus interest accrued in the current year	<u>333,302</u>
Total expense	<u>\$865,136</u>

NOTE 13- PENSION PLANS:

A) Plan Description and Benefits Provided:

Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystsr.org.

Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System

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insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B) Funding Policies:

The Systems are noncontributory for employees who joined prior to July 27, 1976. Those joining after July 27, 1976 and prior to January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. For NYSTRS, employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% for their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. For employees in NYSERS who joined after January 1, 2010 but prior to March 31, 2013, they must contribute 3% of their salary throughout their active membership. Those joining after April 1, 2013 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

For NYSERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund for the ERS' fiscal year ended March 31. The District's average contribution for ERS's fiscal year ended March 31, 2019 was 14.64% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2019 was 10.62% of covered payroll.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	ERS	TRS
2019	\$ 796,537	\$ 2,560,299
2018	\$ 792,315	\$ 2,333,265
2017	\$ 764,817	\$ 2,729,121

C) Pension Assets, Liabilities, Pension Expenses, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

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	<u>ERS</u> March 31, 2019	<u>TRS</u> June 30, 2018
Measurement date		
Net pension asset/(liability)	\$ (1,278,875)	\$ 2,643,069
District's portion of the Plan's total net pension asset/(liability)	0.0180497%	0.146166%
Change in proportionate since the prior measurement date	-0.0011370%	0.000785%

For the fiscal year ended June 30, 2019, the District's recognized pension expense of \$863,475 for ERS and \$2,084,916 for TRS. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 251,837	\$ 1,975,144	\$ 85,848	\$ 357,776
Change in assumptions	321,457	9,239,260		
Net difference between projected and actual earnings on pension plan investments	-	-	328,230	2,934,008
Changes in proportion and difference between the District's contributions and proportionate share of contributions	128,452	188,566	59,280	
District's contributions subsequent to the measurement date	224,609	2,560,299		
	<u>\$ 926,355</u>	<u>\$ 13,963,269</u>	<u>\$ 473,358</u>	<u>\$ 3,291,784</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	<u>ERS</u>	<u>TRS</u>
Plan year ended:		
2019		\$ 2,682,876
2020	\$ 297,540	1,832,317
2021	(234,624)	223,329
2022	(10,171)	1,826,090
2023	175,643	1,247,405
Thereafter	-	299,169
	\$ 228,388	\$ 8,111,186

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5% annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring*

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Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

Valuation date	<u>ERS</u>		<u>TRS</u>	
	April 1, 2018		June 30, 2017	
<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	33%	5.8%
International equity	14%	6.35%	16%	7.3%
Global equity			4%	6.7%
Private equity	10%	7.50%	8%	8.9%
Real estate	10%	5.55%	11%	4.9%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.5%
Private debt			1%	6.8%
Mortgages			7%	2.8%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.50% for ERS, and 2.25% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. 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. 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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% of or ERS and 6.25% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.25% for TRS) than the current rate :

	1% Decrease (6.00%)	1% Decrease (7.00%)	1% Decrease (8.00%)
ERS			
Employer's proportionate share of the net pension asset(liability)	(\$5,591,445)	(\$1,278,875)	\$2,343,990
	1% Decrease (6.25%)	1% Decrease (7.25%)	1% Decrease (8.25%)
TRS			
Employer's proportionate share of the net pension asset(liability)	(\$18,158,315)	\$2,643,069	\$20,068,848

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Valuation date	April 1, 2018	June 30, 2017
Employers' total pension liability	\$ (189,803,429)	\$ (118,107,254)
Plan Net Position	182,718,124	119,915,518
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	96.27%	101.53%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$224,609.

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For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$2,688,175.

NOTE 14 – RETIREMENT PLANS – OTHER:

A) Tax Shelter Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to the 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, 2019 totaled \$299,133 and \$1,206,192, respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code 457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$192,865.

NOTE 15 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a cost-sharing multiple employer healthcare plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the East End Health Plan. Article 37 of the Statutes of the state assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical, Medicare Part B, prescription drugs and vision benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 100% of premiums for retirees, 35-100% for family coverage, and 0% of premiums for surviving spouse, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the Fund Financial Statements as payments as accrued. For fiscal year 2019, the District contributed an estimated \$1,148,433 to the Plan, including

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\$1,148,433 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	115
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	288
Total Members	<u>403</u>

B) Total OPEB Liability:

The District's total OPEB liability of \$60,112,953 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	3.51%
Healthcare cost trend rates:	
Pre-Medicare	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075
Medicare	1.12% for 2018 decreasing to an ultimate rate of 3.84% by 2075
Dental	4.00% for 2018 decreasing by 0.25% annually to an ultimate rate of 3.00%

This discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2018.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 43,670,600</u>
Changes for the fiscal year	
Service Cost	\$ 1,283,651
Interest	1,717,718
Changes of benefit terms	-
Differences between expected and actual experience	1,996,103
Changes in assumptions or other inputs	12,593,314
Benefit payments	<u>(1,148,433)</u>
Net changes	<u>16,442,353</u>
Balance at June 30, 2019	<u><u>\$ 60,112,953</u></u>

The following assumptions have been updated since the last full valuation:

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018. This change caused an increase in liabilities.

Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015. The net impact of this change is a liability increase.

Health care trend rates have been updated as follows, which caused a decrease in liabilities:

Medical trend rates have been updated to 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.

Part B reimbursement trend rates have been updated to an initial rate of 1.12% increasing to an ultimate rate of 3.84% in 2075.

Dental trend rates have been updated to an initial rate of 4.50% decreasing by 0.25% annually to an ultimate rate of 3.00%.

Actual spousal health coverage election is used for existing retirees instead of assuming that 50% of male and 30% of female retirees elected health coverage for their spouses. This change caused an increase in liabilities.

The discount rate was changed from 3.87% at June 30, 2018 to 3.51% at June 30, 2019.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.51%) or 1-percentage point higher (4.51%) that the current discount rate:

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 77,432,183	\$ 60,112,953	\$ 53,419,864

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 - percentage point lower (4.50%) or 1-percentage point higher (6.50%) that the current healthcare trend rates:

	1% Decrease (4.50% decreasing to 2.84%)	Healthcare Cost Trend Rates (5.50% decreasing to 3.84%)	1% Increase (6.50% decreasing to 4.84%)
Total OPEB liability	\$ 51,017,263	\$ 60,112,953	\$ 81,383,018

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OEPB:

For the fiscal year ended June 30 2019, the District recognized OPEB expense (credit) of \$4,243,660. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,796,493	
Changes of assumptions or other inputs	11,333,983	\$ (1,766,599)
	<u>\$ 13,130,476</u>	<u>\$ (1,766,599)</u>

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year ended June 30:

2020	\$ 1,242,291
2021	1,242,291
2022	1,242,291
2023	1,242,291
2024	1,242,291
Thereafter	5,152,422
	<u>\$ 11,363,877</u>

NOTE 16 – TAX ABATEMENTS:

The Town of Southampton Industrial Development Agency under the authority of General Municipal Law Section 925-U entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare to the Town. The District's property tax revenue was reduced \$97,411 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$15,328 for these programs during the current fiscal year.

NOTE 17 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and self insured plans:

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District 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 and the District has essentially transferred all related risk to the pool.

The District participates in the East End Workers' Compensation Plan, a risk-retained pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the workers' compensation law, to finance liability and risks related to workers' compensation claims. The District's share of the total undiscounted liability for incurred but unpaid claims and incurred but not reported claims is \$890,437 and the District has a workers' compensation reserve balance of \$229,696.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Unpaid claims at beginning of fiscal year	\$ 636,049	\$ 376,455
Incurred claims and claim adjustment expenses	368,800	382,310
Claims payments	<u>(114,412)</u>	<u>(122,716)</u>
Unpaid claims at year end	<u>\$ 890,437</u>	<u>\$ 636,049</u>

The District participates in East End Health Plan, a non-risk-retained public entity risk pool for its employee health 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 the self-insurance limits, and the District has essentially transferred all related risk to the pool.

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator, CBCA, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District.

NOTE 18 – OVERPAYMENTS:

Due to a change in financial data used to compute state aid, New York State will be deducting \$46,319 from future state aid payments for overpayments made to the District during the current year. This was recorded as a direct reduction of 2018-2019 revenues and accrued in the due to other governments balance in the general fund at year end.

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Assigned: Encumbered:

Significant encumbrances include in governmental fund balances have been classified as restricted or assigned fund balance and are as follows:

i) General Fund – Total encumbrances of the general fund as of June 30, 2019 were as follows:

General support	\$ 6,933
Instruction	7,983
	<u>\$ 14,916</u>

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

B) 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.

C) Operating leases:

The District leases various copiers under non-cancelable leases. Rental expense for the fiscal year was approximately \$18,206. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal year ended June 30,</u>	<u>Total</u>
2020	\$ 10,663
2021	2,559
	<u>\$ 13,222</u>

D) Litigation:

As of June 30, 2019, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 20- 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 Net 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 evaluated the activity of the District through the date of this report and concluded that the following events have occurred and require disclosure in the notes of the financial statements.

- A) On August 22, 2019 the District issued a tax anticipation note in the amount of \$11,000,000 maturing on June 25, 2020 at an interest rate of 2.00%, with a premium of \$68,310 providing an overall combined effective net interest rate of 1.262178%

SUPPLEMENTARY INFORMATION

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Variance</u> <u>with Budgetary</u> <u>Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 29,894,887	\$ 29,894,887	\$ 29,799,684	\$ (95,203)
Other real property tax items	523,980	523,980	900,253	376,273
Charges for services	22,033,116	22,033,116	21,050,056	(983,060)
Use of money and property	68,000	68,000	180,707	112,707
Sale of property and compensation for loss		81,151	526,834	445,683
Miscellaneous	70,000	70,000	74,319	4,319
State Sources				
Basic formula	1,556,130	1,556,130	1,522,499	(33,631)
Excess cost aid	330,322	330,322	462,208	131,886
VTL lottery aid			84,625	84,625
BOCES aid	206,025	206,025	207,820	1,795
Student with disabilities			105,030	105,030
Textbook aid	56,233	56,233	55,920	(313)
Computer software aid	26,751	26,751	26,740	(11)
Library A/V loan program aid	11,160	11,160	11,156	(4)
Other state aid	277,232	277,232	970	(276,262)
Federal Sources	10,000	10,000	92,935	82,935
TOTAL REVENUE & OTHER SOURCES	55,063,836	55,144,987	\$ 55,101,756	\$ (43,231)
Appropriated fund balance	1,225,681	1,225,681		
Appropriated reserves	848,257	1,211,373		
TOTAL REVENUES, OTHER SOURCES,				
APPROPRIATED FUND BALANCE & RESERVES	\$ 57,137,774	\$ 57,582,041		

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.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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	\$ 32,560	\$ 32,560	\$ 16,822		\$ 15,738
Central administration	398,539	398,539	386,153		12,386
Finance	651,430	651,430	617,571	\$ 2,021	31,838
Staff	175,706	340,706	326,302		14,404
Central services	4,115,654	4,127,347	3,697,833	4,912	424,602
Special items	429,908	429,908	416,869		13,039
Total General Support	<u>5,803,797</u>	<u>5,980,490</u>	<u>5,461,550</u>	<u>6,933</u>	<u>512,007</u>
Instruction					
Instruction, administration & improvement	2,258,104	2,235,940	2,154,781	2,800	78,359
Teaching regular school	18,031,796	18,429,183	18,125,938	420	302,825
Special education programs	5,626,908	5,616,908	5,167,550		449,358
Occupational education	280,775	280,775	262,575		18,200
Teaching-special schools	91,060	98,910	57,059		41,851
Instructional media	1,293,950	1,294,620	1,076,471	593	217,556
Pupil services	3,041,013	3,141,543	3,068,508	4,170	68,865
Total Instruction	<u>30,623,606</u>	<u>31,097,879</u>	<u>29,912,882</u>	<u>7,983</u>	<u>1,177,014</u>
Pupil transportation	<u>1,723,292</u>	<u>1,725,092</u>	<u>1,497,450</u>	-	<u>227,642</u>
Community services	<u>127,618</u>	<u>127,618</u>	<u>113,273</u>	-	<u>14,345</u>
Employee benefits	<u>13,440,219</u>	<u>13,202,357</u>	<u>12,680,439</u>	-	<u>521,918</u>
Debt service					
Principal	3,490,773	3,490,773	3,490,479		294
Interest	1,054,469	1,083,832	1,083,831		1
Total Debt Service	<u>4,545,242</u>	<u>4,574,605</u>	<u>4,574,310</u>	-	<u>295</u>
Other financing uses					
Interfund transfers	<u>874,000</u>	<u>874,000</u>	<u>859,738</u>		<u>14,262</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>\$ 57,137,774</u>	<u>\$ 57,582,041</u>	<u>55,099,642</u>	<u>\$ 14,916</u>	<u>\$ 2,467,483</u>
NET CHANGE IN FUND BALANCES			2,114		
FUND BALANCES - BEGINNING			7,297,254		
FUND BALANCES - ENDING			<u>\$ 7,299,368</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.

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 1,283,651	\$ 1,339,266
Interest	1,717,718	1,556,806
Changes of benefits terms	-	-
Differences between expected and actual experience	1,996,103	-
Changes of assumptions or other inputs	12,593,314	(2,199,899)
Benefit payments	<u>(1,148,433)</u>	<u>(1,023,562)</u>
Net change in total OPEB liability	16,442,353	(327,389)
Total OPEB liability - beginning	<u>43,670,600</u>	<u>43,997,989</u>
Total OPEB liability - ending	<u>\$ 60,112,953</u>	<u>\$ 43,670,600</u>
Covered - employee payroll	\$ 27,231,064	25,807,321
Total OPEB liability as a percentage of covered-employee payroll	220.75%	169.22%

Note to Schedule:

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions

For 2019:

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018.

Medical trend rates have been updated to 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.

Part B reimbursement trend rates have been updated to an initial rate of 1.12% increasing to an ultimate rate of 3.84% in 2075.

Dental trend rates have been updated to an initial rate of 4.50% decreasing by 0.25% annually to an ultimate rate of 3.00%.

Actual spousal health coverage election is used for existing retirees instead of assuming that 50% of male and 30% of female retirees elected health coverage for their spouses.

The discount rate was changed from 3.87% at June 30, 2018 to 3.51% at June 30, 2019.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
JUNE 30, *

NYSERS Pension Plan					
	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0180497%	0.0191867%	0.0188468%	0.0192385%	0.0198546%
District's proportionate share of the net pension asset (liability)	\$ (1,278,875)	\$ (619,239)	\$ (1,770,884)	\$ (3,087,827)	\$ (670,737)
District's covered payroll	\$ 5,297,729	\$ 5,095,698	\$ 5,063,430	\$ 4,986,991	\$ 4,770,215
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	24.14%	12.15%	34.97%	61.92%	14.06%
Plan fiduciary net position as a percentage of the total pension asset (liability)	96.27%	98.24%	94.70%	90.68%	97.95%
					97.20%

NYSTRS Pension Plan					
	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.146166%	0.146951%	0.148247%	0.148991%	0.151198%
District's proportionate share of the net pension asset (liability)	\$ 2,643,069	\$ 1,116,976	\$ (1,587,790)	\$ 15,475,394	\$ 16,842,544
District's covered payroll	\$ 23,808,821	\$ 23,286,952	\$ 22,876,046	\$ 22,400,387	\$ 22,342,020
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	11.10%	4.80%	6.94%	69.09%	75.39%
Plan fiduciary net position as a percentage of the total pension asset (liability)	101.53%	100.66%	99.01%	110.46%	111.48%
					100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,

	NYSERS Pension Plan									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 796,537	\$ 792,315	\$ 764,817	\$ 875,887	\$ 942,073	\$ 946,594	\$ 972,257	\$ 650,438	\$ 607,909	\$ 382,941
Contributions in relation to the contractually required contribution	796,537	792,315	764,817	875,887	942,073	946,594	972,257	650,438	607,909	382,941
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,366,051	\$ 5,144,351	\$ 5,018,052	\$ 4,953,200	\$ 4,911,734	\$ 4,746,643	\$ 4,746,643	\$ 4,626,580	\$ 4,653,185	\$ 4,433,474
Contributions as a percentage of covered payroll	14.84%	15.40%	15.27%	17.68%	19.24%	19.94%	20.48%	14.06%	13.06%	8.64%

	NYSTRS Pension Plan									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,560,299	\$ 2,332,265	\$ 2,729,121	\$ 3,033,116	\$ 3,023,575	\$ 3,625,226	\$ 2,628,983	\$ 2,367,336	\$ 1,763,499	\$ 1,215,631
Contributions in relation to the contractually required contribution	2,560,299	2,332,265	2,729,121	3,033,116	3,023,575	3,625,226	2,628,983	2,367,336	1,763,499	1,215,631
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 24,108,280	\$ 23,808,821	\$ 23,286,932	\$ 22,676,046	\$ 22,400,387	\$ 22,342,020	\$ 22,193,178	\$ 21,467,477	\$ 20,752,385	\$ 19,547,983
Contributions as a percentage of covered payroll	10.62%	9.80%	11.72%	13.26%	13.52%	16.23%	11.84%	11.03%	8.50%	6.22%

**WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget		\$ 57,112,093
Add: Encumbrances from prior year		<u>25,681</u>
Original budget		57,137,774
Budget revisions		
Use of employee benefit accrued liability reserve	\$ 363,116	
Insurance claims	<u>81,151</u>	<u>444,267</u>
Revised budget		<u>\$ 57,582,041</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter approved expenditure budget		<u>\$ 58,018,834</u>
Maximum allowed (4% of 2019-2020 budget)		2,320,753
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,214,916	
Unassigned fund balance	<u>2,037,217</u>	
Total unrestricted fund balance		3,252,133
Less:		
Appropriated fund balance	\$ 1,200,000	
Encumbrances included in committed and assigned fund balance	<u>14,916</u>	
Total adjustments		<u>1,214,916</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law		<u>\$ 2,037,217</u>
Actual percentage		3.51%

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Project Title	Original Appropriation	Revised Appropriation	Expenditures		Unexpended Balance	Methods of Financing		Total	Fund Balance June 30, 2019
			Prior Years	Current Year		State and Local Sources	Local Sources		
DW RENOVATIONS 05/06 EXCEL	\$ 310,000	\$ 22,917	\$ 22,917	\$ -	\$ -	\$ -	\$ (107,023)	\$ (107,023)	\$ (129,940) *
EXCEL-ROOF		25,607	17,932		7,675		25,607	25,607	7,675
07/09 IFT-FACILITY REPAIRS	90,205	193,142	193,142		-	\$ 207,436	10,742	218,178	25,036
11/12 IFT-FACILITY REPAIRS	280,000	99,381	36,746	\$ 382	12,253		99,381	99,381	12,253
13/14 IFT-FACILITY REPAIRS	280,000	472,027	439,018	31,892	1,117		472,027	472,027	1,117
14/15 IFT-FACILITY REPAIRS	280,000	359,734	328,757	30,977	-		359,734	359,734	-
15/16 IFT-FACILITY REPAIRS	280,000	253,098	211,396	40,986	516		253,098	253,098	516
17/18 IFT-FACILITY REPAIRS	400,000	187,765	182,318	5,428	119		187,765	187,765	119
18/19 IFT - FACILITY REPAIRS	829,000	431,622	284,178	144,832	2,612		431,622	431,622	2,612
18/19 - COMPUTER INSTALLMENT PURCHASE	1,958,301	639,223	-	652,173	(22,950)		680,523	680,523	28,350
11M FUND-MIDDLE SCHOOL	16,517,616	17,593,343	17,491,062	1,958,301	102,281	\$ 1,958,301	800,000	17,317,616	(173,446) *
11M FUND- HS & ELEM	30,837,102	30,837,102	30,947,191	-	(110,089)	16,517,616	-	30,837,102	(110,089) *
TOTALS	\$ 52,062,224	\$ 53,063,262	\$ 50,204,757	\$ 2,864,971	\$ (6,466)	\$ 207,436	\$ 3,213,476	\$ 52,733,931	\$ (335,797)

*Negative balances will be eliminated when the general fund provides budgetary appropriations in future budgets.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019

Capital assets, net			\$ 50,513,879
Deduct:			
Short-term portion of bonds payable	\$ 2,945,000		
Long-term portion of bonds payable	16,745,000		
Short-term portion of installment purchase debt	652,767		
Long-term portion of installment purchase debt	<u>652,766</u>	<u>20,995,533</u>	
Net investment in capital assets			<u>\$ 29,518,346</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
Westhampton Beach Union Free School District

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 Westhampton Beach Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Westhampton Beach Union Free School District's basic financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Westhampton Beach 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 Westhampton Beach Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Westhampton Beach 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 entity'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. 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 Westhampton Beach 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 11, 2019

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

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

July 30, 2020

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

Ladies and Gentlemen:

We have acted as Bond Counsel to Westhampton Beach Union Free School District (the “School District”), in the County of Suffolk, 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 \$11,000,000 Tax Anticipation Notes for 2020-2021 Taxes (the “Note”), dated and delivered the date hereof.

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 Note is a valid and legally binding general obligation 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 Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note 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 Note 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 Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

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

the Note, restrictions on the investment of proceeds of the Note 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 Note 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 Note, the School District will execute a Tax Certificate relating to the Note 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 Note 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 Note, 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 Note 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 Note, 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 Note.

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

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

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

“Issuer” shall mean the Westhampton Beach 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.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of July 30, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$11,000,000 Tax Anticipation Notes for 2020-2021 Taxes, dated July 30, 2020, maturing on June 25, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

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

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

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

Section 5. 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 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 5 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 6. 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 in accordance with 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.

Section 7. 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 8. 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 **July 30, 2020**.

WESTHAMPTON BEACH UNION FREE SCHOOL DISTRICT

By _____
President of the Board of Education