

**Supplement dated
August 15, 2022**

to the

**Preliminary Official Statement
dated August 9, 2022**

relating to

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

**\$4,700,000 Tax Anticipation Notes for 2022-2023 Taxes
(the “Notes”)**

Introduction

The Preliminary Official Statement for the Notes is dated **August 9, 2022** (the “Official Statement”). The Bridgehampton Union Free School District, Suffolk County, New York (the “**District**”) has prepared this Supplement dated **August 15, 2022**, to the Official Statement (the “Supplement”) to update the subheading entitled “Miscellaneous” under heading “TAX MATTERS”.

Other than with respect to the information provided herein, this Supplement is not otherwise updating the Official Statement, which speaks as of its date. Capitalized terms used herein and not otherwise defined have the meanings given *to such terms in the Official Statement*.

The subheading entitled “Miscellaneous” is hereby updated with the following:

Miscellaneous

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

The Inflation Reduction Act, H.R. 5376 (the “IRA”), has been passed by both houses of Congress and is expected to be signed by the President; as passed, the IRA includes a 15 percent alternative minimum tax to be imposed on the “adjusted financial statement income,” as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. If the IRA is enacted as passed, interest on the Notes will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 9, 2022

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 designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

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

**\$4,700,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")**

Date of Issue: August 30, 2022

Maturity Date: June 28, 2023

The Notes are general obligations of the Bridgehampton 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 bidder(s).

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 August 16, 2022 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 August 30, 2022.

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.

August , 2022

*Preliminary, subject to change.

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

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

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* * *

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* * *

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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

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

Relating To

**\$4,700,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")**

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Bridgehampton 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 \$4,700,000* Tax Anticipation Notes for 2022-2023 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.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this world-wide event. See "RISK FACTORS" and "IMPACT OF COVID-19" herein.

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: Michael Cipriani, Interim School Business Administrator, Bridgehampton Union Free School District, 2685 Montauk Highway, Bridgehampton, New York 11932, telephone number (631) 537-0721, Fax (631) 537-9038 and e-mail: mcipriani@bridgehamptonschool.com.

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.

*Preliminary, subject to change

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 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, note 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, note 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 2022-2023 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 2022-2023 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 2022-2023 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. See "*The Tax Levy Limit Law*" herein.

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 in the southeastern section of Suffolk County, approximately 100 miles from New York City. The District lies wholly in the Town of Southampton. The District has a land area of approximately 9.3 square miles and a current estimated year-round population of 1,228.

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

The District is an affluent residential community made up of mostly single-family dwellings. According to the 2020 U.S. Census, median housing values for the Town and Village of Southampton are well above County, State and U.S. averages.

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

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

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

District Organization

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

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

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

Enrollment History

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

<u>School Year</u>	<u>School Enrollment</u>
2018-2019	200
2019-2020	209
2020-2021	213
2021-2022	210
2022-2023	208

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>
2023-2024	215
2024-2025	210

Source: District Officials.

District Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Date of Last Addition</u>	<u>Capacity</u>
Bridgehampton School	K-12	1930	2021-22	459

Employees

The collective bargaining agents, if any, which represent employees and the dates of expirations of the various collective bargaining agreements are as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>	<u>Employees</u>
Bridgehampton Teachers Association	06/30/2024	61	Teachers
Bridgehampton Non-Teaching Employees Association	06/30/2025	37	Other

a. Any contracts expired as of the date of this Statement are in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The information set forth below with respect to the Town and County 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 or County or vice versa.

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

<u>Year</u>	<u>District</u>	<u>Town of Southampton</u>	<u>Suffolk County</u>
2000	N/A	54,712	1,419,369
2010	N/A	56,790	1,493,350
2009	1,069	61,527	1,518,475
2010	971	56,790	1,493,350
2020	1,228	58,263	1,481,364

Source: U.S. Bureau of the Census.

Income Data

The information set forth below with respect to the 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.

	Per Capita Money Income			
	1990	2000	2010	2020 ^a
District	-	-	\$69,365	\$84,499
Town of Southampton	\$16,726	\$31,320	47,111	61,374
County of Suffolk	18,481	26,577	35,755	46,466
State of New York	16,501	23,389	30,948	40,898

	Median Household Income			
	1990	2000	2010	2020 ^a
District			\$75,268	\$109,348
Town of Southampton	\$43,929	\$65,144	74,316	100,722
County of Suffolk	53,244	72,112	84,506	105,362
State of New York	39,741	51,691	55,603	71,117

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2016-2020)

Selected Listing of Larger Employers in the Town of Southampton (As of 2022)

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.

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>
2018	4.3	3.8	4.1
2019	3.9	3.5	3.8
2020	7.8	8.5	10.0
2021	5.1	5.7	9.9
2022 (6 Month Average) ^a	4.5	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

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

INDEBTEDNESS OF THE DISTRICT

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 August 9, 2022)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
Southampton (2021-2022) ^a	\$9,012,340,725	100	\$9,012,340,725
Debt Limit - 10% of Average Full Valuation			901,234,073
Inclusions: ^b			
Outstanding Bonds			25,365,000
Bond Anticipation Notes			_____
Total Indebtedness			25,365,000
Exclusions (Estimated Building Aid) ^c			_____
Total Net Indebtedness			_____
Net Debt Contracting Margin			_____
Per Cent of Debt Contracting Margin Exhausted			2.53%

- 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 of June 30:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$480,000	\$29,240,000	\$27,935,000	\$26,585,000	\$25,365,000
BANs	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Outstanding:	<u>\$1,480,000</u>	<u>\$29,240,000</u>	<u>\$27,935,000</u>	<u>\$26,585,000</u>	<u>\$25,365,000</u>

Debt Service Requirements - Outstanding Bonds^a

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$1,245,000	\$ 833,569	\$ 2,078,569
2024	1,285,000	796,219	2,081,219
2025	1,320,000	757,669	2,077,669
2026	1,365,000	718,069	2,083,069
2027	1,405,000	677,119	2,082,119
2028	1,440,000	634,969	2,074,969
2029	1,490,000	591,769	2,081,769
2030	1,545,000	547,069	2,092,069
2031	1,590,000	500,719	2,090,719
2032	1,635,000	453,019	2,088,019
2033	1,685,000	399,881	2,084,881
2034	1,745,000	345,119	2,090,119
2035	1,805,000	286,225	2,091,225
2036	1,870,000	223,050	2,093,050
2037	1,930,000	157,600	2,087,600
2038	<u>2,010,000</u>	<u>80,400</u>	<u>2,090,400</u>
Totals:	<u>\$25,365,000</u>	<u>\$8,002,463</u>	<u>\$33,367,463</u>

^a Does not include payments made to date.

Tax Anticipation Notes

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

Fiscal Year <u>Ending June 30:</u>	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2018	\$4,500,000	09/19/17	06/27/18
2019	4,800,000	09/06/18	06/27/19
2020	4,700,000	09/05/19	06/25/20
2021	4,700,000	09/17/20	06/25/21
2022	4,500,000	09/15/21	06/24/22

Authorized and Unissued Debt

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

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	06/30/22	2.21	\$30,187,697	\$26,308,443
Town of Southampton	06/22/22	10.68	9,644,374	8,633,047
Bridgehampton Fire District	06/30/22	100.00	1,500,000	1,500,000
Totals			\$41,332,071	\$36,441,490

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 August 9, 2022)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)</u>
Total Direct Debt	\$25,365,000	\$20,656	0.281
Net Direct Debt	22,828,500	18,590	0.253
Total Direct & Applicable Total Overlapping Debt	66,697,071	54,314	0.740
Net Direct & Applicable Net Overlapping Debt	59,269,990	48,265	0.658

a. The current estimated population of the District is 1,228.

b. The full valuation of taxable real property in the District for 2021-22 is \$9,012,340,725.

FINANCES OF THE DISTRICT

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel and for cleaning supplies and equipment, the aggregate cost of which total approximately \$500,000. The District has paid such costs from budgetary appropriations and/or available funds. The District does not believe that the increased costs described above or any potential reductions in State aid will have a material adverse impact on the finances of the District. (See also “*State Aid*” herein.)

In December of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was enacted as the second act of federal relief in response to COVID-19. The CRRSA Act provides approximately \$4.3 billion to support schools in the State, with the funds available to be spent through September 2023. This is in addition to the \$1.2 billion in Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding, which can be spent through September 2022. The CRRSA Act provides the State with \$4.0 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and \$323 million through the Governor’s Emergency Education Relief (GEER) Fund. Districts may generally use these funds for broad purposes, including general operating and pandemic-related costs such as purchasing personal protective equipment. Additionally, the State has been allocated approximately \$9.0 billion under the American Rescue Plan (ARP) Act’s Elementary and Secondary School Emergency Relief Fund (ESSER).

The District has received \$0 in CARES Act funding, and is expected to receive \$0 in CRRSA funding, and \$17,506 in ARP funding. (See also “*State Aid*” herein.)

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, 2021. A copy of such report is included herein as Appendix C.

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 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 and the related expenditures are incurred.

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

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See "*The Levy Limit Law*" herein).

On May 17, 2022, a majority of the voters of the District approved the District's budget for the 2022-2023 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2021-2022 and 2022-2023 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 2017 through 2021, and the amounts budgeted for 2022 and 2023.

Fiscal Year Ending <u>June 30:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2017	\$13,307,225	\$698,757	5.25
2018	14,011,042	733,744	5.24
2019	15,848,553	771,413	4.87
2020	17,462,690	797,425	4.57
2021	18,472,974	884,273	4.79
2022 (Budgeted) ^a	20,658,612	901,771	4.37
2023 (Budgeted) ^a	20,957,637	968,721	4.62

Source: Audited Financial Statements of the District and Adopted Budgets 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. Due to 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 for an extended period. The outbreak of COVID-19 and the dramatic steps taken by the State to address it 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. The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2020-21 Enacted Budget authorized the State’s Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. In December 2020, a second federal stimulus bill was enacted and provided additional funding for schools in the State. As of February 1, 2021, the State Education Department (“SED”) advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds on or about June 30, 2021.

The State’s 2021-22 Enacted Budget provides \$29.5 billion in State funding to school districts for the 2021-22 school year the highest level of State aid ever. This represents an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and includes a \$1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase is targeted to high-need school districts. The State’s 2021-22 Enacted Budget also programs \$13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor’s Emergency Education Relief Fund to public schools. This funding available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students’ academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State’s 2021-22 Enacted Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State’s 2021-22 Enacted Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2021-22 Enacted Budget was adopted on April 7, 2021. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

As described above, the State's 2020-21 Enacted Budget and the State's 2021-22 Enacted Budget included, significant amounts of federal funding. The State received a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget. (See also "*Impacts of COVID-19*" herein.)

The State's 2022-23 Enacted Budget provides \$31.3 billion in State funding to school districts for the 2022-23 school year the highest level of State aid ever. This represents a year-to-year funding increase of \$2.1 billion or 7.07%. and includes \$21.4 billion of Foundation Aid which increased 8.1% from 2021-22. The 2022-23 school year increase in Foundation Aid primarily reflects the second year of the three-year phase-in of full funding of the current Foundation Aid formula.

The State's 2022-23 Enacted Budget also increases the State's annual investment in prekindergarten to \$1.1 billion, an increase of \$125 million, or 13%. The Budget also includes a total of \$100 million of matching funds over two years to be provided to school districts and BOCES with the highest needs to address student wellbeing and learning loss in response to the trauma brought about by the COVID-19 pandemic. This includes support for extended school day or school year programs, afterschool programs, mental health professionals and other locally determined initiatives.

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.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. 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, on appeal 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 Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a “gap elimination adjustment” as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date. See also “*School district fiscal year (2021-2022)*” herein.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students’ Educational Rights v. State of New York (“NYSER”) and a consolidated case on the right to a sound basic education. The NYSEER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent “gross education inadequacies”, claims regarding State funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the New Yorkers for Students’ Educational Rights v. New York State case, following through on the State’s commitment to fully fund the current Foundation Aid formula to New York’s school districts over three years and ending the State’s prior opposition to providing this much-needed funding to our students. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the historic Campaign for Fiscal Equity cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts

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

School district fiscal year (2021-2022): For the 2021-2022 school year, the State's Enacted budget provides \$29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represents an increase of 11.3% (\$3.0 billion) compared to the 2020-2021 school year, including a \$1.4 billion (7.6%) Foundation Aid increase. The Enacted budget would allocate \$13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, will help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

School district fiscal year (2022-2023): For the 2022-2023 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2% compared to the 2021-2022 school year and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-2023 Enacted Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds buy \$125 million to expand access to full-day prekindergarten programs for four-year old children in school districts statewide in the 2022-23 school year.

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 allocation of funds is \$66,656.

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

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: 0%; Environmental Score: 38.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on November 3, 2017. The purpose of the audit was to examine the claims auditing process for the period July 1, 2015 through February 28, 2017. The complete report may be found on the State Comptroller’s official website.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this 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, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

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 2023 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2018	\$556,267	\$143,620
2019	637,650	147,431
2020	577,479	143,527
2021	692,429	169,262
2022	731,499	156,257
2023 (Budgeted)	820,883	150,000

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, 2021 is as follows:

<u>Changes in Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2021:</u>
Total OPEB liability as of July 1, 2020	\$23,234,662
Service Cost	1,304,058
Interest on Total OPEB Liability	536,788
Effect of Plan Changes	(21,863)
Effect of Assumptions Changes or Inputs	212,002
Benefit Payments	<u>(502,080)</u>
Total Changes	<u>\$1,528,905</u>
Total OPEB liability as of June 30, 2021	<u><u>\$24,763,567</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 Brookhaven. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see “*The Tax Levy Limit Law*” herein for a discussion of certain statutory limitation that have been imposed

The following table sets forth the percentage of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, and the amounts budgeted for 2022 and 2023.

Fiscal Year Ending June 30:	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2017	\$13,307,225	\$11,934,750	89.69
2018	14,011,042	12,597,532	89.91
2019	15,848,553	14,333,971	90.44
2020	17,462,690	15,890,523	91.00
2021	18,472,974	16,404,934	88.81
2022 (Budgeted) ^a	20,658,612	17,889,822	86.60
2023 (Budgeted) ^a	20,957,637	17,763,369	84.76

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

a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

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

The Town Tax Receivers distribute the collected tax money to the Town, 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.

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

Approximately 1% of the District's 2021-2022 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 1% of the District's 2022-2023 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 2023. (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 2018 through 2022.

<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>
2018	\$7,556,962,214	100.00	\$7,556,962,214	1.67	\$12,595,945
2019	8,122,692,490	100.00	8,122,692,490	1.76	14,329,661
2020	8,770,078,241	100.00	8,770,078,241	1.81	15,889,846
2021	8,943,591,192	100.00	8,943,591,192	1.83	16,402,546
2022	9,012,340,725	100.00	9,012,340,725	1.93	17,763,369

Source: Tax Rate Sheets for the Town of Southampton.

Selected Listing of Large Taxable Properties in the District 2021-2022 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed</u> <u>Valuation</u>
Resident	Residential	\$58,125,300
125 Mid Ocean Drive, LLC.	Commercial	34,428,500
Resident	Residential	33,250,051
A&E Club Properties, LLC.	Commercial	32,493,600
43 Surfside LLC	Commercial	30,694,500
SA123, LLC	Commercial	29,970,000
Camp Farrell, LLC.	Commercial	29,600,600
229 Quimby Lane, LLC	Commercial	29,518,400
Resident	Residential	29,513,900
Hampton Highland, LLC.	Commercial	28,579,500
1251 Ocean Road, LLC.	Commercial	26,924,600
Meadowlark Highland, LLC.	Commercial	26,153,400
Resident	Residential	24,858,900
Resident	Residential	24,556,600
Resident	Residential	24,324,400
Total		<u>\$462,992,251</u>

a. Represents 5.14% of the Assessed Valuation of the District for 2021-2022.

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.

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.

RISK FACTORS

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 for extended periods. 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 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.

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 “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a 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 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 Premium Note may realize a taxable gain upon disposition of the 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 Premium Notes 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 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.

The Inflation Reduction Act, H.R. 5376 (the "IRA"), has been passed by both houses of Congress and is expected to be signed by the President; as passed, the IRA includes a 15 percent alternative minimum tax to be imposed on the "adjusted financial statement income," as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. If the IRA is enacted as passed, interest on the Notes will be included in the "adjusted financial statement income" of such corporations for purposes of computing such alternative minimum tax.

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

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will execute an "Undertaking to Provide Notices of Events", substantially in the form of which is attached hereto as Appendix E.

RATING

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

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 upon request from the business office of the District: Michael Cipriani, Interim School Business Administrator, Bridgehampton Union Free School District, 2685 Montauk Highway, Bridgehampton, New York 11932, telephone number (631) 537-0721, Fax (631) 537-9038 and e-mail: mcipriani@bridgehamptonschool.com or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

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 RONALD WHITE
President of the Board of Education
Bridgehampton Union Free School District
Bridgehampton, New York

August , 2022

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year Ending June 30:		
	2019	2020	2021
Assets:			
Cash - Restricted	\$ 1,792,399	\$ 1,940,210	\$ 2,242,606
Cash - Unrestricted	2,748,423	3,209,214	2,672,882
State & Federal Aid Receivable	29,096	45,344	34,915
Due From Other Governments	304,118	394,081	595,309
Due From Other Funds	3,073,209	259,666	385,166
Other Receivables	2,095	37,004	11,657
	<u>7,949,340</u>	<u>5,885,519</u>	<u>5,942,535</u>
Total Assets	\$ 7,949,340	\$ 5,885,519	\$ 5,942,535
Liabilities:			
Accounts Payable	341,236	434,009	303,247
Accrued Liabilities	180,687	11,485	67,555
Due to Other Funds	3,162,161	817,294	646,933
Due to Custodial Fund			1,984
Due to Other Governments	4,102	149,427	22,134
Due to Teachers' Retirement System	693,600	651,053	784,914
Due to Employees' Retirement System	38,328	40,393	49,227
Due to Fiduciary Fund		1,839	
Debt Service	105,324	64,438	106,416
Other Liabilities			17,400
Collections in Advance	9,731	12,332	7,461
Deferred Inflows of Resources		26,234	
	<u>4,535,169</u>	<u>2,208,504</u>	<u>2,007,271</u>
Total Liabilities	4,535,169	2,208,504	2,007,271
Fund Equity			
Restricted	\$ 1,792,399	\$ 1,940,210	\$ 2,242,606
Assigned	877,337	627,548	866,794
Unassigned	744,435	1,109,257	825,864
	<u>3,414,171</u>	<u>3,677,015</u>	<u>3,935,264</u>
Total Fund Equity	3,414,171	3,677,015	3,935,264
Total Liabilities and Fund Equity	\$ 7,949,340	\$ 5,885,519	\$ 5,942,535

Source: Audited Financial Reports of the District.

Note: This Schedule is NOT audited.

**Statement of Revenues, Expenditures and Fund Balances
General Fund**

	Fiscal Year Ending June 30:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Real Property Taxes	\$ 11,934,750	\$ 12,597,532	\$ 14,333,971	\$ 15,890,523	\$ 16,404,934
Other Tax Items - Including STAR	56,961	59,889	54,275	56,243	55,307
Charges for Services	537,205	510,993	469,492	503,444	972,805
Use of Money and Property	12,479	42,537	92,366	61,957	4,346
Miscellaneous	67,073	61,289	122,627	153,098	151,309
Forfeitures			1,300		
Sale of Property & Compensation for Loss		5,058	3,109		
State Sources	698,757	733,744	771,413	797,425	884,273
Total Revenues	13,307,225	14,011,042	15,848,553	17,462,690	18,472,974
Expenditures:					
General Support	1,804,004	1,900,441	1,965,167	2,145,979	2,558,885
Instruction	6,692,077	7,269,041	8,224,931	8,336,031	8,536,738
Pupil Transportation	519,659	536,243	817,787	500,520	535,047
Employee Benefits	2,838,882	3,011,072	3,538,281	3,474,682	3,859,614
Community Services	22,932	23,332	23,682		
Debt Service	214,403	775,090	648,479	243,241	214,287
Total Expenditures	12,091,957	13,515,219	15,218,327	14,700,453	15,704,571
Excess (Deficit) Revenues Over Expenditures	1,215,268	495,823	630,226	2,762,237	2,768,403
Other Financing Sources (Uses):					
Interfund Transfers In	425,515				
Interfund Transfers Out	(363,363)	(1,639,705)	(367,206)	(2,499,393)	(2,510,154)
Total Other Financing Sources	62,152	(1,639,705)	(367,206)	(2,499,393)	(2,510,154)
Net Change In Fund Equity	1,277,420	(1,143,882)	263,020	262,844	258,249
Fund Balance - Beginning of Year	3,017,613	4,295,033	3,151,151	3,414,171	3,677,015
Fund Balance - End of Year	\$ 4,295,033	\$ 3,151,151	\$ 3,414,171	\$ 3,677,015	\$ 3,935,264

Sources: Audited Financial Reports of the District (2017-2021)

Budget Summaries

	Fiscal Year Ending June 30:	
	2022-2023 ^b	2021-2022 ^a
Revenues:		
Real Property Taxes	\$ 17,763,369	\$ 17,889,822
State Aid	968,721	901,771
Admissions	321,000	498,484
Health Services	80,000	80,000
Interest Earnings	10,000	10,000
Miscellaneous Items	483,627	467,112
ERS Reserves	306,920	206,920
TRS Reserves	125,000	105,503
EBALR Reserve	50,000	0
Workers Comp Reserve	29,000	29,000
Unemployment Reserve	20,000	70,000
Appropriated Fund Balance	800,000	400,000
Total Revenues	\$ 20,957,637	\$ 20,658,612
Expenditures:		
General Support	\$ 3,089,969	\$ 2,945,122
Instruction	9,836,396	9,810,741
Pupil Transportation	688,943	670,598
Debt Service	2,190,000	2,149,000
Miscellaneous	5,152,329	5,083,151
Total Expenditures	\$ 20,957,637	\$ 20,658,612

(a) Approved by the voters of the District on 6/15/21

(b) Approved by the voters of the District on 5/17/22

APPENDIX B

CASH FLOWS

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2021-2022 (000's)^a

	Jul ^b	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	2,673	1,052	570	3,951	2,038	551	751	7,394	7,074	4,115	3,505	6,718	2,673
RECEIPTS													
Real Property Taxes and Tax Items						786	8,675	1,084	234	342	4,627	2,729	18,477
Reimbursement from other schools	157	25		162	30			163	170	19	20	26	772
TAN Proceeds			4,528										4,528
Interfund Transfer			348		6	370		6					730
STAR							17						17
Other	193	146	48	140	26	91	69	36	172	5	41	32	999
Total Receipts	350	171	4,924	302	62	1,247	8,761	1,289	576	366	4,688	2,787	25,523
DISBURSEMENTS													
Payroll	184	248	685	756	774	749	771	778	1,156	756	775	2,202	9,834
Accounts Payable	743	405	133	763	775	273	1,322	650	699	195	700	753	7,411
Debt Service			435						1,657			34	2,126
TAN Payment												4,500	4,500
Transfer to Other Funds	1,044		290	696		25	25	181	23	25		32	2,341
Total Disbursements	1,971	653	1,543	2,215	1,549	1,047	2,118	1,609	3,535	976	1,475	7,521	26,212
Balance	1,052	570	3,951	2,038	551	751	7,394	7,074	4,115	3,505	6,718	1,984	1,984
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	1,771	0
Receipts	0	0	0	0	0	0	0	0	0	0	1,771	2,729	4,500
Disbursements	0	0	0	0	0	0	0	0	0	0	0	4,500	4,500
Closing Balance	0	0	0	0	0	0	0	0	0	0	1,771	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. Balance as of June 30, 2021 includes restricted cash.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTED 2022-2023 (000's)^a

	Jul ^b	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	1,984	1,301	5,180	3,569	2,278	358	701	8,110	7,544	5,754	5,335	6,021	1,984
RECEIPTS													
Real Property Taxes and Tax Items						1,255	8,121	644	208	709	1,125	5,703	17,765
Reimbursements from Other Schools	160	14	5	10		4	78	176	196	72	86	56	857
TAN Proceeds		4,700											4,700
STAR							19						19
State Aid	85						325		435		9	115	969
Other	114	35	40	41	37	149	174	34	127	44	618	19	1,432
Total Receipts	359	4,749	45	51	37	1,408	8,717	854	966	825	1,838	5,893	25,742
DISBURSEMENTS													
Payroll	189	134	761	767	796	760	783	796	776	767	783	2,141	9,453
Accounts Payable	853	736	441	575	1,161	305	525	624	306	477	369	775	7,147
Debt Service			454						1,674			62	2,190
TAN Payment												4,700	4,700
Total Disbursements	1,042	870	1,656	1,342	1,957	1,065	1,308	1,420	2,756	1,244	1,152	7,678	23,490
Balance	1,301	5,180	3,569	2,278	358	701	8,110	7,544	5,754	5,335	6,021	4,236	4,236
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	4,700	4,700
Disbursements	0	0	0	0	0	0	0	0	0	0	0	4,700	4,700
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	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. Balance as of June 30, 2022 is unrestricted cash only.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

BRIDGEHAMPTON SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
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(1950 - 2013)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Bridgehampton Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Special Aid Fund	Unmodified
School Food Service Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Extraclassroom Activities Fund	Qualified
Scholarships Fund	Unmodified
Fiduciary Fund	Unmodified

Basis for Qualified Opinion on the Extraclassroom Activities Fund

The records of the extraclassroom activities fund of the Bridgehampton Union Free School District were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effect of any adjustments that might have been necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the “Basis for Qualified Opinion on the Extraclassroom Activities Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activities fund of the Bridgehampton Union Free School District, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, other than the extraclassroom activities fund, and the fiduciary fund of the Bridgehampton Union Free School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, “Changes in Accounting Principles”, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 4 through 20 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bridgehampton Union Free School District's basic financial statements. The other supplementary information on pages 66 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the Bridgehampton Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bridgehampton 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 Bridgehampton Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 22, 2021

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following is a discussion and analysis of the Bridgehampton Union Free School District’s (the “District”) financial performance for the fiscal year ended June 30, 2021. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- On the District-Wide Financial Statements, the District’s total net position decreased by \$806,374 or 10.25% to a net deficit of \$8,672,137. This was due to an excess of expenses over revenues based on the accrual basis of accounting.
- On the District-Wide Financial Statements, revenues increased by \$808,894 or 4.48%. Most of the increase was in property taxes and other tax items and charges for services, offset by a decrease in use of money and property.
- On the District-Wide Financial Statements, expenses increased by \$1,216,452 or 6.60%, primarily due to increases in general support and instruction, offset by a decrease in debt service-interest.
- On the governmental funds financial statements, the general fund total fund balance increased by \$258,249. This increase was due to revenues in excess of expenditures based on the modified accrual basis of accounting. Unassigned fund balance as of June 30, 2021 was \$825,864, which was 4.00% of the 2021-2022 budget.
- The general fund budget for the 2020-2021 school year was approved by the voters in the amount of \$18,986,122. This was an increase of \$296,270 or 1.59% over the previous year’s budget. The increase was primarily due to an increase in program costs.
- The voters authorized the District to expend a total of \$29,474,568 for District-wide capital projects. The District borrowed \$28,974,568 in serial bonds in November 2018 to fund the District-wide capital projects. This capital project is ongoing.
- The District implemented Government Accounting Standards Board Statement No. 84 (GASB 84), *Fiduciary Activities*, in 2021. This resulted in the restatement of opening net position for the District-Wide financial statements and opening fund balance for the general fund, extraclassroom activities fund and scholarships fund, effective July 1, 2020. See Note 18 for further information.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

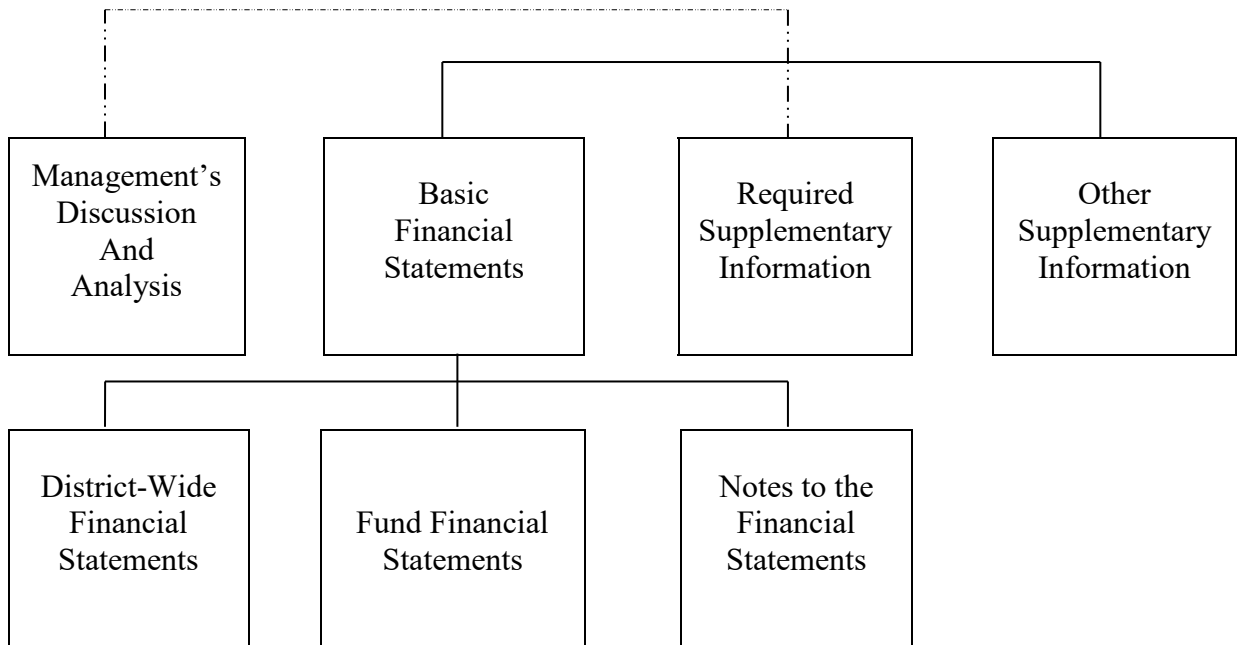
2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 relate to one another.

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



**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others
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 or available during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

A. District-Wide Financial Statements

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

The two District-Wide Financial Statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflow 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) is 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.

The District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- *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.

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 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 Financial Statements, reconciliations are provided to explain the relationship (or differences) between them. In summary, the Government Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school food service fund, the extraclassroom activities fund, scholarships fund, capital projects fund, and debt service fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary fund*: The District is the trustee or *fiduciary* for assets that belong to others. 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 fund reports real property taxes collected on behalf of other governments and disbursed to those governments.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

Current and other assets, current and other liabilities, and restricted net position, unrestricted net position and total net position for 2020 have been restated for the implementation of GASB 84. This Statement eliminates the agency fund and private purpose fund and now records those activities in the general fund, extraclassroom activities fund and scholarships fund. See Footnote 18 for further information.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following is a summary of these changes:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current and other assets	\$ 19,358,757	\$ 19,265,612	\$ 93,145
Current and other liabilities	1,676,553	1,667,093	9,460
Net position			
Restricted	2,955,030	2,899,220	55,810
Unrestricted (Deficit)	(17,611,114)	(17,638,989)	27,875
Total Net Position (Deficit)	(7,865,763)	(7,949,448)	83,685

The District's total net position decreased by \$806,374 between fiscal year 2020 and 2021. A summary of the District's Statements of Net Position follows:

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

	Fiscal Year 2021	As Restated 2020	Increase / (Decrease)	Percentage Change
Current and other assets	\$ 9,354,700	\$ 19,358,757	\$ (10,004,057)	(51.68%)
Capital assets, net of accumulated depreciation	32,903,784	21,730,483	11,173,301	51.42%
Net pension asset - proportionate share	-	932,127	(932,127)	(100.00%)
Total assets	42,258,484	42,021,367	237,117	0.56%
Deferred outflows of resources	8,310,606	7,767,055	543,551	7.00%
Total assets and deferred outflows of resources	<u>\$50,569,090</u>	<u>\$ 49,788,422</u>	<u>\$ 780,668</u>	1.57%
Current liabilities	\$ 2,723,198	\$ 1,676,553	\$ 1,046,645	62.43%
Long-term liabilities	53,518,806	53,389,373	129,433	0.24%
Total liabilities	56,242,004	55,065,926	1,176,078	2.14%
Deferred inflows of resources	2,999,223	2,588,259	410,964	15.88%
Total liabilities and deferred inflows of resources	<u>59,241,227</u>	<u>57,654,185</u>	<u>1,587,042</u>	2.75%
Net position				
Net investment in capital assets	8,853,679	6,790,321	2,063,358	30.39%
Restricted	3,225,383	2,955,030	270,353	9.15%
Unrestricted (Deficit)	<u>(20,751,199)</u>	<u>(17,611,114)</u>	<u>(3,140,085)</u>	17.83%
Total net position (Deficit)	<u>(8,672,137)</u>	<u>(7,865,763)</u>	<u>(806,374)</u>	10.25%
Total liabilities, deferred inflows of resources and net position	<u>\$50,569,090</u>	<u>\$ 49,788,422</u>	<u>\$ 780,668</u>	1.57%

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Current and other assets decreased by \$10,004,057 from the prior year, primarily due to decreases in cash as a result of the serial bond proceeds being spent on authorized capital expenditures.

Capital assets, net of accumulated depreciation increased by \$11,173,301 primarily due to expenditures relating to the District-wide capital projects funded by the bonds.

Net pension asset - proportionate share for the teachers' retirement system resulted in a net pension liability in the current year as a result of the actuarial valuation provided by the state.

Deferred outflows of resources increased by \$543,551, due to actuarial adjustments at the plan level that will be amortized in future years and contributions to the State retirement plans subsequent to the measurement date, offset by a decrease in deferred outflows for other postemployment benefits liability.

Current liabilities increased by \$1,046,645. This increase was primarily due to increases in accrued liabilities, retainage payable and due to teachers' retirement system, offset by decreases in accounts payable, due to other governments and collections in advance.

Long-term liabilities increased by \$129,433, which was primarily attributable to an increase in total other postemployment benefits liability, offset by bond principal payments.

Deferred inflows of resources increased by \$410,964 due to an increase related to actuarial adjustments at the pension plan level that will be amortized in future years, offset by a decrease in deferred inflows of resources for total other postemployment benefits liability.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings and building improvements, site improvements, furniture and equipment and vehicles, net of depreciation and related debt. This number increased by \$2,063,358 due to capital asset purchases, some of which were financed by debt, offset by the repayment of debt and depreciation expense.

The restricted net position at June 30, 2021 relates to the District's reserves and restricted amounts. Restricted net position increased by a net amount of \$270,353, after the prior year restatement. This is due to the use of the workers' compensation reserve of \$18,411, the unemployment reserve of \$4,120, the retirement contribution reserve of \$167,252, the teachers' retirement contribution reserve of \$75,000, use of the employee benefit accrued liability reserve of \$105,447, and capital reserve spending of \$35,600, offset by funding of the retirement contribution reserve of \$298,000, the teachers' retirement contribution reserve of \$130,469 and the employee benefit accrued liability reserve of \$242,841, debt service of \$5,365 and interest allocated to the reserves of \$1,315.

The unrestricted net position at June 30, 2021, relates to the balance of the District's net position. The unrestricted net position decreased by \$3,140,085 to \$(20,751,199).

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

B) Changes in Net Position:

Charges for services – extraclassroom activities, operating grants and contributions – scholarships and donations, and instructional expenses were increased due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. The following schedule outlines these changes:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Revenues			
Charges for services	\$ 539,796	\$ 518,127	\$ 21,669
Operating grants & contributions	206,488	204,660	1,828
Expenses			
Instruction	13,823,770	13,805,466	18,304

The results of this year's operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

Table A-4: Change in Net Position

	Fiscal Year 2021	As Restated 2020	Increase/ (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 994,406	\$ 539,796	\$ 454,610	84.22%
Operating grants & contributions	371,507	206,488	165,019	79.92%
General Revenues				
Property taxes & other tax items	16,460,241	15,946,766	513,475	3.22%
State sources	858,039	823,659	34,380	4.17%
Use of money and property	9,710	332,277	(322,567)	(97.08%)
Other	151,309	187,332	(36,023)	(19.23%)
Total Revenues	<u>18,845,212</u>	<u>18,036,318</u>	<u>808,894</u>	4.48%
Expenses				
General support	3,430,713	2,814,992	615,721	21.87%
Instruction	14,472,787	13,823,770	649,017	4.69%
Pupil transportation	554,359	532,434	21,925	4.12%
Debt service - interest	943,493	1,012,241	(68,748)	(6.79%)
Food service program	250,234	251,697	(1,463)	(0.58%)
Total Expenses	<u>19,651,586</u>	<u>18,435,134</u>	<u>1,216,452</u>	6.60%
Total Change in Net Position	<u>\$ (806,374)</u>	<u>\$ (398,816)</u>	<u>\$ (407,558)</u>	102.19%

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

For the fiscal year ended June 30, 2021, the District recognized a decrease in Net Position of \$806,374 due to overall expenses exceeding revenues.

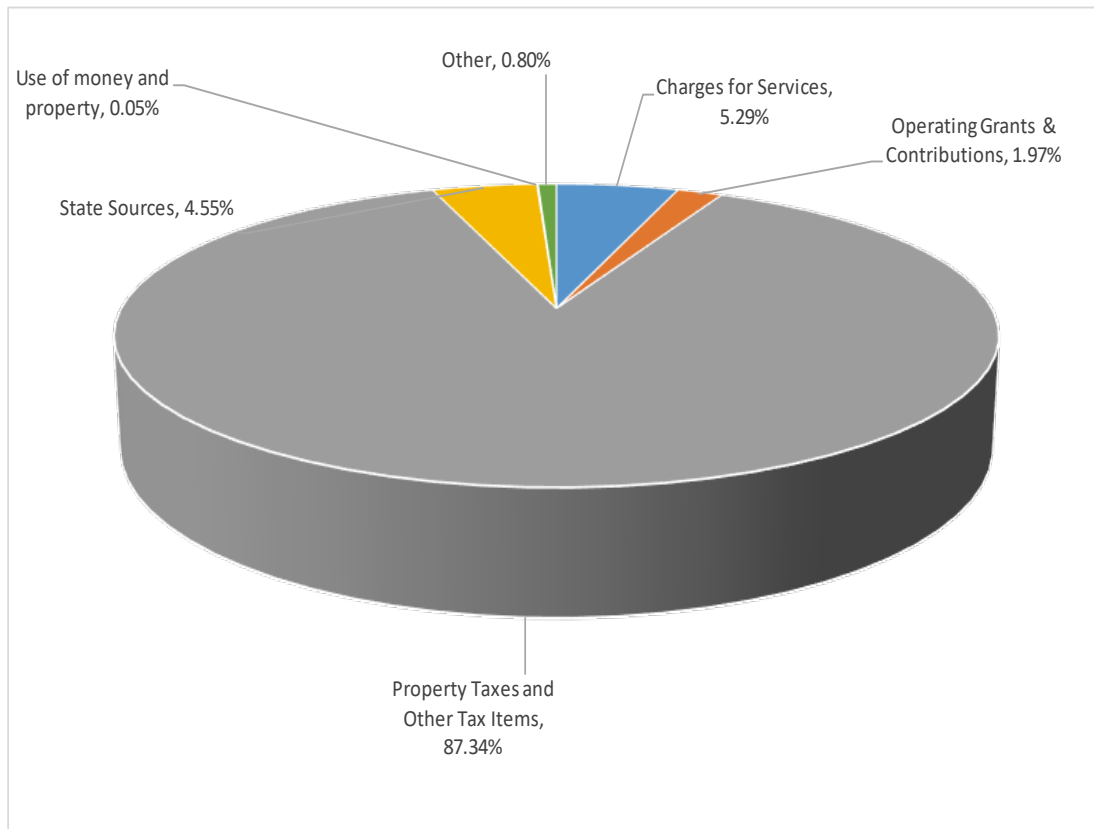
The District’s fiscal year 2021 revenues totaled \$18,845,212 (See Table A-4). Property taxes and other tax items (LIPA PILOT payment included) accounted for most of the District’s revenues by contributing 87.34% of total revenues (See Table A-5). The remainder came from charges for services, operating grants and contributions, use of money and property and other sources. Total revenues increased by \$808,894 or 4.48%. This was attributable to increased real property taxes, state formula aid, operating grants and contributions and charges for services, offset by decreases in use of money and property and other revenues.

The federal and state governments subsidized certain programs with grants of \$371,507 in fiscal year 2021 as compared to \$206,488 in the prior year.

The cost of all programs and services totaled \$19,651,586 for fiscal year 2021. These expenses are predominantly related to instruction, which accounted for 73.65% of the District’s expenses (See Table A-6). The District’s general support activities accounted for 17.46% of total costs. Total expenses increased by \$1,216,452, or 6.60%.

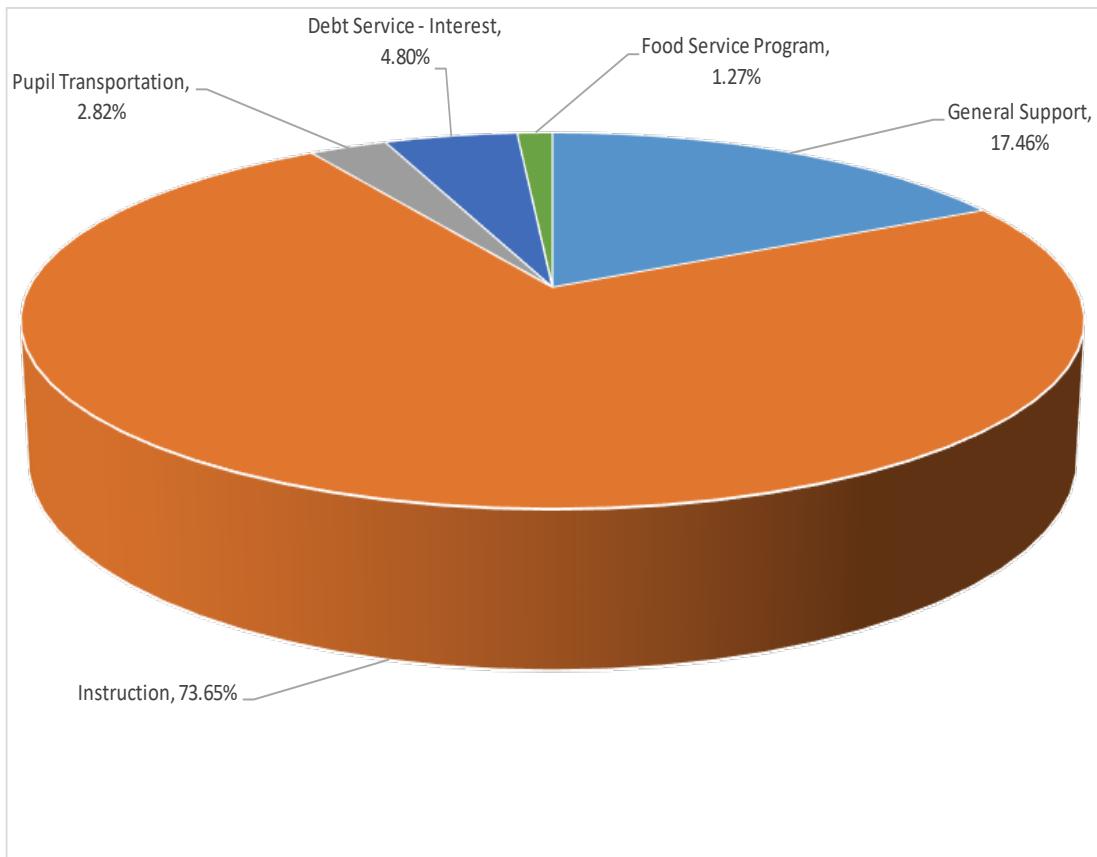
The District’s expenses, net of program revenues, which totaled \$18,285,673, were financed by real property tax revenues, state aid and other revenues.

Table A- 5 – Revenues for Fiscal Year 2021 (See Table A-4)



**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Table A-6 - Expenses for Fiscal Year 2021 (See Table A-4)



C) Governmental Activities:

Despite the decrease in net position, the continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and Administration;
- Approval of the District's proposed annual budget;
- Strategic use of services from the Eastern Suffolk Board of Cooperative Educational Services (BOCES).

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, payables that are associated with long-term liabilities, capital assets purchased by the funds, proportionate share of long-term asset and liability and deferred inflows and outflows associated with participation in the state retirement systems, and total other postemployment benefits obligation and deferred inflows and outflows related to providing benefits in retirement. Governmental funds include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2021, the District’s combined governmental funds reported a total fund balance of \$7,684,921, which is a decrease of \$10,044,362 from the prior year. This was primarily the result capital projects fund expenditures related to the bond project. Fund balance for 2020 was restated to include both an extraclassroom activities fund and a scholarships fund due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. See Note 18 “Restatement of Fund Balances” for further information.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

	2021	As Restated 2020	Increase (Decrease)	Change
General Fund				
Restricted for workers' compensation	\$ 96,867	\$ 115,195	\$ (18,328)	-15.91%
Restricted for unemployment insurance	164,162	168,161	(3,999)	-2.38%
Restricted for retirement contribution - employees' retirement system	688,198	557,048	131,150	23.54%
Restricted for retirement contribution - teachers' retirement system	266,600	211,005	55,595	26.35%
Restricted for employee benefit accrued liability	983,776	845,803	137,973	16.31%
Restricted for repairs	43,003	42,998	5	0.01%
Assigned for general support	30,835	24,932	5,903	23.68%
Assigned for instructional	35,959	2,616	33,343	1274.58%
Assigned - designated for subsequent year's expenditures	800,000	600,000	200,000	33.33%
Unassigned	825,864	1,109,257	(283,393)	-25.55%
Total Fund Balance - General Fund	<u>\$ 3,935,264</u>	<u>\$ 3,677,015</u>	<u>\$ 258,249</u>	7.02%
School Food Service Fund				
Nonspendable	\$ 1,380	\$ 546	\$ 834	152.75%
Assigned unappropriated fund balance	52,732	14,191	38,541	271.59%
Total Fund Balance - School Food Service Fund	<u>\$ 54,112</u>	<u>\$ 14,737</u>	<u>\$ 39,375</u>	267.18%
Extraclassroom Activities Fund				
Assigned unappropriated fund balance	\$ 31,013	\$ 27,875	\$ 3,138	11.26%
Total Fund Balance - Extraclassroom Activities Fund	<u>\$ 31,013</u>	<u>\$ 27,875</u>	<u>\$ 3,138</u>	11.26%
Scholarships Fund				
Restricted for scholarships and donations	\$ 54,002	\$ 55,810	\$ (1,808)	-3.24%
Total Fund Balance - Scholarships Fund	<u>\$ 54,002</u>	<u>\$ 55,810</u>	<u>\$ (1,808)</u>	-3.24%
Capital Projects Fund				
Restricted - capital reserve	\$ 311,727	\$ 347,327	\$ (35,600)	-10.25%
Restricted - unspent debt proceeds	2,534,895	12,994,838	(10,459,943)	-80.49%
Assigned unappropriated fund balance	146,860	-	146,860	N/A
Total Fund Balance - Capital Projects Fund	<u>\$ 2,993,482</u>	<u>\$ 13,342,165</u>	<u>\$ (10,348,683)</u>	-77.56%
Debt Service Fund				
Restricted	\$ 617,048	\$ 611,683	\$ 5,365	0.88%
Total Fund Balance - Debt Service Fund	<u>\$ 617,048</u>	<u>\$ 611,683</u>	<u>\$ 5,365</u>	0.88%
Total Fund Balance - All Funds	<u>\$ 7,684,921</u>	<u>\$ 17,729,285</u>	<u>\$ (10,044,364)</u>	-56.65%

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

A) General Fund

The net change in the general fund – fund balance is an increase of \$258,249, which is the result of revenues of \$18,472,974 in excess of expenditures and transfers to other funds of \$18,214,725.

Revenues increased \$1,010,284, compared to the prior year, which is due primarily to increases in property taxes, charges for services, and state aid, offset by a decrease in use of money and property.

Expenditures and other financing uses increased \$1,014,879, compared to the prior year, which is primarily due to increases in general support, instruction, and employee benefits.

B) School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$39,375. This increase is due to an operating loss of \$102,625, offset by a transfer of \$142,000 from the general fund, resulting in a net increase to fund balance.

C) Extraclassroom Activities Fund

The net change in the extraclassroom activities fund - fund balance is an increase of \$3,138, due to student collections of \$18,068 exceeding expenditures of \$14,930.

D) Scholarships Fund

The net change in the scholarships fund - fund balance is a decrease of \$1,808 due to scholarship awards of \$4,846 exceeding donations and interest of \$3,038.

E) Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$10,348,683. This decrease was due to capital project expenditures of \$10,598,683 in excess of a current year interfund transfer of \$250,000 from the general fund.

F) Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$5,365 and the result of interest earnings related to the serial bonds issued.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2020-2021 Budget:

The District’s general fund adopted budget for the year ended June 30, 2021 was \$18,986,122. This amount was increased by encumbrances carried forward from the prior year in the amount of \$27,548, and budget revisions amounting to \$618,263, which resulted in a final budget of \$19,631,933. The majority of the funding was property taxes and STAR revenues of \$16,423,632.

B) Change in General Fund’s Unassigned Fund Balance (Budget to Actual):

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

Opening, unassigned fund balance	\$ 1,109,257
Revenues over budget	422,102
Expenditures and encumbrances under budget	1,350,414
Appropriated reserves not used	(70,467)
Allocation of interest to reserves	(1,316)
Funding of reserves	(671,310)
Additional appropriations from unassigned fund balance	(512,816)
Assigned - appropriated for June 30, 2022 budget	<u>(800,000)</u>
Closing, unassigned fund balance	<u>\$ 825,864</u>

The revenues over budget in the amount of \$422,102 were primarily attributable to higher than anticipated charges for services and other miscellaneous revenues, offset by lower than budgeted interest and earnings and state sources (see Required Supplemental Information for detail).

The expenditures and encumbrances under budget in the amount of \$1,350,414 were primarily attributable to the following expenditures: instruction and employee benefits (see Required Supplemental Information for detail).

The net change to reserves was a result of:

- Workers’ compensation reserve net decrease was \$18,328, as a result of the use of budgetary appropriation of \$18,411, net of interest allocated to the reserve of \$83.
- Unemployment reserve net decrease was \$3,999, as a result of the use of budgetary appropriation of \$4,120, net of interest allocated to the reserve of \$121.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- Retirement contribution reserve – employees’ retirement system net increase was \$131,150, as a result of funding of the reserve of \$298,000 and interest allocated to the reserve of \$402, net of the use of budgetary appropriation of \$167,252.
- Retirement contribution reserve – teachers’ retirement system net increase of \$55,595 was the result of funding of the reserve of \$130,469 and interest allocated to the reserve of \$126, net of use of budgetary appropriation of \$75,000.
- Employee benefit accrued liability reserve increase of \$137,973 was the result of funding of the reserve of \$242,841 and interest allocated to the reserve of \$579, offset by use of the reserve of \$105,447.
- Repairs reserve increase of \$5 was the result of interest allocated to the reserve.

Additional appropriations from unassigned fund balance consist of increased costs due to COVID-19, including \$286,555 for health and safety, \$157,851 for additional classroom teachers and \$68,410 for contractual expenses.

The closing unassigned fund balance represents the fund balance retained by the District that is not reserved or appropriated for the subsequent year’s taxes. This amount is 4.00% of the 2021-2022 budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for various capital assets during fiscal year 2021. A summary of the District’s capital assets, net of depreciation is as follows:

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

<u>Category</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Land	\$ 278,150	\$ 278,150	\$ -	0.00%
Construction in progress	11,280,188	17,116,978	(5,836,790)	(34.10%)
Buildings & building improvements	23,634,787	6,379,069	17,255,718	270.51%
Furniture & equipment	1,157,486	1,059,816	97,670	9.22%
Vehicles	24,721	24,721	-	0.00%
Site improvements	657,416	657,416	-	0.00%
Subtotal	<u>37,032,748</u>	<u>25,516,150</u>	<u>11,516,598</u>	45.13%
Less: Accumulated Depreciation	<u>4,128,964</u>	<u>3,785,667</u>	<u>343,297</u>	9.07%
Total Net Capital Assets	<u>\$32,903,784</u>	<u>\$ 21,730,483</u>	<u>\$ 11,173,301</u>	51.42%

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District had invested in a broad range of capital assets. The net increase in capital assets is due to capital additions amounting to \$11,657,102 and depreciation of \$483,801 recorded for the year ended June 30, 2021.

B) Long Term Debt:

At June 30, 2021, the District had total bonds payable of \$26,585,000. See accompanying Notes to Financial Statements, Note 12 “Long-Term Liabilities” for additional information.

A summary of outstanding debt at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase/ (Decrease)
Serial bond	\$26,585,000	\$ 27,935,000	\$ (1,350,000)

The District issued bonds in November 2018 in the amount of \$28,974,568, according to the propositions approved by the voters in December 2016 and September 2018 to fund the facilities and expansion projects.

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

- On September 15, 2021, the District issued tax anticipation notes in the amount of \$4,500,000, which are due June 24, 2022 and bear a net interest rate of 0.191%.
- The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the rate of inflation. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year’s levy. If the tax levy proposed to the voters is not within the District’s tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.
- The 2021-2022 budget is impacted by certain trends affecting school districts. These include increases in retirement contributions, health insurance costs, workers’ compensation judgments, and potential unemployment insurance claims, which are beyond the District’s control.
- On June 16, 2021, the budget revote date, the proposed 2021-2022 budget in the amount of \$20,658,612 was authorized by 60.13% of the District’s residents that voted. The 6.49% levy increase exceeded the tax levy cap and required a minimum 60% to pass.
- The federal government has passed several laws in the past year to address the economic and health consequences of the COVID-19 pandemic, including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Recue Plan (ARP) Act. The District

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

expects to receive non-recurring revenues to be used to fund expenditures that meet the requirements set forth by the U.S. Department of Education.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Bridgehampton Union Free School District
Dr. Mary Kelly
Superintendent
2685 Montauk Highway
Bridgehampton, New York 11932
(631) 537-0271

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Cash	
Restricted	\$ 5,423,350
Unrestricted	2,892,622
Receivables	
State and federal aid	250,729
Due from other governments	595,309
Accounts receivable	11,657
Inventories	1,380
Other assets	179,653
Capital assets, net	
Capital assets, not being depreciated	11,558,338
Capital assets being depreciated, net of accumulated depreciation	<u>21,345,446</u>
TOTAL ASSETS	42,258,484
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	4,582,712
Other postemployment benefits	<u>3,727,894</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 50,569,090
LIABILITIES	
Payables	
Accounts payable	\$ 422,655
Accrued liabilities	67,555
Retainage payable	979,273
Accrued interest payable	253,799
Due to fiduciary fund	1,984
Due to other governments	22,304
Due to teachers' retirement system	784,914
Due to employees' retirement system	49,227
Compensated absences payable	106,416
Other liabilities	17,400
Unearned credits	
Collections in advance	17,671
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,220,000
Compensated absences payable	150,000
Due and payable after one year	
Bonds payable	25,365,000
Workers' compensation liabilities	120,066
Compensated absences payable	833,776
Net pension liabilities - proportionate share	1,066,397
Total other postemployment benefits liability	<u>24,763,567</u>
TOTAL LIABILITIES	<u>56,242,004</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	2,128,437
Other postemployment benefits	<u>870,786</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,999,223</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>8,853,679</u>
Restricted	
Workers' compensation	96,867
Unemployment insurance	164,162
Retirement contribution - employees' retirement system	688,198
Retirement contribution - teachers' retirement system	266,600
Employee benefit accrued liability	983,776
Capital	311,727
Repairs	43,003
Debt	617,048
Scholarships	<u>54,002</u>
	<u>3,225,383</u>
Unrestricted (Deficit)	<u>(20,751,199)</u>
TOTAL NET POSITION (DEFICIT)	<u>(8,672,137)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	
	\$ 50,569,090

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants and	Changes in
FUNCTIONS / PROGRAMS			Contributions	Net Position
General support	\$ (3,430,713)	\$ -	\$ -	\$ (3,430,713)
Instruction	(14,472,787)	990,873	230,657	(13,251,257)
Pupil transportation	(554,359)			(554,359)
Debt service-interest	(943,493)			(943,493)
Food service program	(250,234)	3,533	140,850	(105,851)
TOTAL FUNCTIONS AND PROGRAMS	\$ (19,651,586)	\$ 994,406	\$ 371,507	(18,285,673)
 GENERAL REVENUES				
Real property taxes				16,404,934
Other tax items - including STAR reimbursement				55,307
Use of money & property				9,710
Miscellaneous				151,309
State sources				858,039
TOTAL GENERAL REVENUES				17,479,299
 CHANGE IN NET POSITION				 (806,374)
 TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED SEE NOTE 18				 (7,865,763)
 TOTAL NET POSITION - END OF YEAR				 \$ (8,672,137)

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Extraclassroom Activities</u>	<u>Scholarships</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash								
Restricted	\$ 2,242,606	\$ -	\$ -	\$ -	\$ 57,748	\$ 3,122,996	\$ -	\$ 5,423,350
Unrestricted	2,672,882	188,335	92	31,013			300	2,892,622
Receivables								
State and federal aid	34,915	187,799	28,015					250,729
Due from other governments	595,309							595,309
Due from other funds	385,166		30,185				616,748	1,032,099
Accounts receivable	11,657							11,657
Inventories			1,380					1,380
TOTAL ASSETS	<u>\$ 5,942,535</u>	<u>\$ 376,134</u>	<u>\$ 59,672</u>	<u>\$ 31,013</u>	<u>\$ 57,748</u>	<u>\$ 3,122,996</u>	<u>\$ 617,048</u>	<u>\$ 10,207,146</u>
LIABILITIES								
Payables								
Accounts payable	\$ 303,247	\$ 112	\$ 3,936	\$ -	\$ 3,746	\$ 111,614	\$ -	\$ 422,655
Accrued liabilities	67,555							67,555
Due to other funds	646,933	367,266				17,900		1,032,099
Due to custodial fund	1,984							1,984
Due to other governments	22,134		170					22,304
Due to teachers' retirement system	784,914							784,914
Due to employees' retirement system	49,227							49,227
Compensated absences	106,416							106,416
Other liabilities	17,400							17,400
Unearned credits								
Collections in advance	7,461	8,756	1,454					17,671
TOTAL LIABILITIES	<u>2,007,271</u>	<u>376,134</u>	<u>5,560</u>	<u>-</u>	<u>3,746</u>	<u>129,514</u>	<u>-</u>	<u>2,522,225</u>
FUND BALANCES								
Nonspendable: inventory			1,380					1,380
Restricted								
Workers' compensation	96,867							96,867
Unemployment insurance	164,162							164,162
Retirement contribution - employees' retirement system	688,198							688,198
Retirement contribution - teachers' retirement system	266,600							266,600
Employee benefit accrued liability	983,776							983,776
Repairs	43,003							43,003
Capital						311,727		311,727
Debt							617,048	617,048
Unspent bond proceeds						2,534,895		2,534,895
Scholarships					54,002			54,002
Assigned								
Appropriated	800,000							800,000
Unappropriated	66,794		52,732	31,013		146,860		297,399
Unassigned	825,864							825,864
TOTAL FUND BALANCES	<u>3,935,264</u>	<u>-</u>	<u>54,112</u>	<u>31,013</u>	<u>54,002</u>	<u>2,993,482</u>	<u>617,048</u>	<u>7,684,921</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,942,535</u>	<u>\$ 376,134</u>	<u>\$ 59,672</u>	<u>\$ 31,013</u>	<u>\$ 57,748</u>	<u>\$ 3,122,996</u>	<u>\$ 617,048</u>	<u>\$ 10,207,146</u>

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances \$ 7,684,921

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

Cash held by a third-party administrator is treated as a long-term asset and included in net position. 179,653

The costs of the building and acquiring of capital assets (land, construction in progress, buildings and improvements, furniture and vehicles) 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	\$ 37,032,748	
Accumulated depreciation	<u>(4,128,964)</u>	32,903,784

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

Deferred outflows of resources	4,582,712	
Net pension liability - employees' retirement system & teachers' retirement system	(1,066,397)	
Deferred inflows of resources	<u>(2,128,437)</u>	1,387,878

Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds:

Deferred outflows of resources	3,727,894	
Total other postemployment benefits liability	(24,763,567)	
Deferred inflows of resources	<u>(870,786)</u>	(21,906,459)

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

Accrued interest on bonds		(253,799)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(26,585,000)	
Retainage payable	(979,273)	
Workers' compensation liabilities	(120,066)	
Compensated absences payable	<u>(983,776)</u>	<u>(28,668,115)</u>

Total Net Position		<u>\$ (8,672,137)</u>
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BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Extraclassroom Activities</u>	<u>Scholarships</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES								
Real property taxes	\$ 16,404,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,404,934
Other tax items - including STAR reimbursement	55,307							55,307
Charges for services	972,805							972,805
Use of money and property	4,346				38		5,364	9,748
Miscellaneous	151,309	12,737		18,068	3,000			185,114
State sources	884,273	32,094	4,666					921,033
Federal sources		182,788	134,103					316,891
Surplus food			2,081					2,081
Sales			3,533					3,533
TOTAL REVENUES	<u>18,472,974</u>	<u>227,619</u>	<u>144,383</u>	<u>18,068</u>	<u>3,038</u>	<u>-</u>	<u>5,364</u>	<u>18,871,446</u>
EXPENDITURES								
General support	2,558,885							2,558,885
Instruction	8,536,738	255,054		14,930	4,846			8,811,568
Pupil transportation	535,047							535,047
Employee benefits	3,859,614		61,049					3,920,663
Debt service - principal	165,000						1,185,000	1,350,000
Debt service - interest	49,287						905,718	955,005
Cost of sales			185,959					185,959
Capital outlay						10,598,683		10,598,683
TOTAL EXPENDITURES	<u>15,704,571</u>	<u>255,054</u>	<u>247,008</u>	<u>14,930</u>	<u>4,846</u>	<u>10,598,683</u>	<u>2,090,718</u>	<u>28,915,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,768,403</u>	<u>(27,435)</u>	<u>(102,625)</u>	<u>3,138</u>	<u>(1,808)</u>	<u>(10,598,683)</u>	<u>(2,085,354)</u>	<u>(10,044,364)</u>
OTHER FINANCING SOURCES AND USES								
Operating transfers in		27,435	142,000			250,000	2,090,719	2,510,154
Operating transfers (out)	(2,510,154)							(2,510,154)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(2,510,154)</u>	<u>27,435</u>	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>2,090,719</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	258,249	-	39,375	3,138	(1,808)	(10,348,683)	5,365	(10,044,364)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>3,677,015</u>	<u>-</u>	<u>14,737</u>	<u>27,875</u>	<u>55,810</u>	<u>13,342,165</u>	<u>611,683</u>	<u>17,729,285</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,935,264</u>	<u>\$ -</u>	<u>\$ 54,112</u>	<u>\$ 31,013</u>	<u>\$ 54,002</u>	<u>\$ 2,993,482</u>	<u>\$ 617,048</u>	<u>\$ 7,684,921</u>

BRIDGEHAMPTON 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, 2021

Net Change in Fund Balances \$ (10,044,364)

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

Deferred inflows of resources for state aid - in the Statement of Activities revenues are measured by the amounts earned during the year; whereas the governmental funds recognize revenues when the financial resources are provided. (26,234)

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable from June 30, 2020 to June 30, 2021 changed by: 46,291

Workers' compensation liabilities in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued workers' compensation liabilities from June 30, 2020 to June 30, 2021 changed by: (69,838)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third party administrator. This is the amount by which other assets - cash held by third-party administrator increased in the period. (12,343)

Capital Related Items

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$ 10,677,828	
Depreciation expense	(483,801)	10,194,027

Long-Term Debt Transactions

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,350,000

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2020 to June 30, 2021 changed by: 11,512

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system	(672,593)	
Employees' retirement system	84,153	
Other postemployment benefits	(1,666,985)	(2,255,425)

Change in Net Position of Governmental Activities \$ (806,374)

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

	Custodial
ASSETS	
Cash and cash equivalents - restricted	\$ -
Due from general fund	1,984
TOTAL ASSETS	\$ 1,984
LIABILITIES	
Due to other governments	\$ 1,984
Due to governmental funds	
TOTAL LIABILITIES	1,984
NET POSITION	
Unrestricted	\$ -
Restricted	-
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	\$ 1,984

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Custodial
ADDITIONS	
Library real property taxes received	\$ 902,812
Library PILOT received	1,984
Child Care and Recreation	
Center real property taxes received	180,000
TOTAL ADDITIONS	1,084,796
DEDUCTIONS	
Library real property taxes disbursed	902,812
Library PILOT disbursed	1,984
Child Care and Recreation	
Center real property taxes disbursed	180,000
TOTAL DEDUCTIONS	1,084,796
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING OF YEAR	-
NET POSITION - END OF YEAR	\$ -

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (“the Board”) consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have 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 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and 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, there are no other entities that would be included in the District’s reporting entity.

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 is organized under Section §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 Section §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §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, program, and capital costs is determined by resident public school district enrollment, as defined in the New York State Education Law, Section §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 and contributions include operating-specific and discretionary (either operating or capital) grants and donations for scholarships, while the capital grants column includes 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 the grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including but not limited to real property taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The District financial statements reflect the following major funds:

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

The District reports the following special revenue funds:

- i. **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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- ii. **School Food Service Fund:** This fund is used to account for the activities of the District's food service operations. The school food service operations are supported by federal and state grants and charges participants for its services. In addition, funding is being provided by a transfer from the general fund.
- iii. **Extraclassroom Activities Fund:** This fund is used to account for the activities of extraclassroom activity funds, which are supported by student deposits and donations.
- iv. **Scholarships Fund:** This fund is used to account for the proceeds of scholarship funds that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, grantors, contributions, or by other outside parties.

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

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

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or custodian 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. The District's fiduciary fund includes the custodial fund, which is used to account for real property taxes and PILOT collected on behalf of other governments and disbursed to those governments. This fund is custodial in nature. Assets are held by the District as custodian.

D) Measurement focus and basis of accounting:

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

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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

E) Real property taxes:

i. Calendar

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of Southampton and remitted to the District from December to June.

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) Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District’s other tax items revenues.

G) Restricted resources:

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

H) 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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

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

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

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 of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, workers' compensation claims, potential contingent liabilities, other postemployment benefits, 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. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

K) Receivables:

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

L) Inventories:

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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

M) Other assets:

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

N) Capital assets:

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost when available or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at acquisition value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building and Building Improvements	\$ 10,000	Straight-line	20-50 years
Land Improvements	\$ 10,000	Straight-line	20 years
Furniture and Equipment	\$ 1,000	Straight-line	5-20 years
Vehicles	\$ 10,000	Straight-line	10 years

O) Collections in advance:

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

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

P) Deferred outflows and inflows of resources:

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. It consists of the District's proportionate share of changes in the collective net pension

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Position. It consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item relates to other postemployment benefit ("OPEB") reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in the collective pension expense. The second item is related to OPEB reported in the District-Wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Q) Employee benefits:

Compensated absences:

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

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

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

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

R) Other benefits:

Eligible District employees participate in the New York State and Local Employees' Retirement System or 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).

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The District provides individual and family health insurance coverage for active employees pursuant to collective bargaining agreements and individual contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District accounts for these postemployment benefits in accordance with GASB Statement No. 75. 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, postemployment costs are measured and disclosed using the accrual basis of accounting.

S) Short-term debt:

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

The District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will 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, seven years if originally issued during calendar year 2015 through and including 2021.

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, constructions, or improvements of those assets, net of any unexpended proceeds.

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

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

ii) Fund Financial Statements

There are four classifications of fund balance presented as detailed below:

- 1) **Nonspendable fund balance** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school food service fund of \$1,380.
- 2) **Restricted fund balance** - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve

Workers' compensation reserve (GML§6-j) 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 under restricted fund balance.

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 under restricted fund balance.

Retirement Contribution Reserves

Retirement contribution reserve (GML§6-r) must be used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may be legally appropriated. The Board has adopted a resolution establishing a sub-fund for contributions to the New York State

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML§6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Repairs Reserve

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

Capital Reserve

Capital reserve (Education Law §3651) is used to pay the costs of capital improvements for which the school district may issue bonds pursuant to Local Finance Law. A proposition indicating the purpose, ultimate amount, probable term, and funding source must be approved by the voters. Voter approval is also required before any funds may be expended for the specific purpose for which the reserve was established. Funds may be transferred with voter approval to other funds or the fund may be liquidated if the original purpose for which the fund was established is determined to be no longer needed. Upon liquidation, proceeds must first be applied to any outstanding bonded indebtedness with the remaining, if any, used to reduce the annual tax level. This reserve is accounted for in the capital projects fund under restricted fund balance.

Restricted for Debt

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Restricted – Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Restricted for Scholarships

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

- 3) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
- 4) **Unassigned fund balance** - Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

Order of Use of Fund Balance

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

U) **Changes in accounting standards:**

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2021:

GASB has issued Statement No. 84, *Fiduciary Activities*, (GASB 84), effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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. See Note 18 for further consideration.

V) Future accounting pronouncements:

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in statements and implementation guides that were first effective for reporting periods beginning after June 15, 2018. This Statement became effective immediately. The effective date of the Statement below reflects the postponement enacted by GASB 95, as applicable.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. 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 each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the Governmental Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-Wide Statements, compared with the current financial resource measurement focus of the governmental funds.

(A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. The differences primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental funds Balance Sheets, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(B) Governmental 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 Balances and the Statement of Activities fall into any of the four broad categories.

(i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

(ii) Capital related differences:

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

(iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest payments are recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(iv) Pension and other postemployment benefits differences:

Pension differences occur as a result of recognizing pension costs under the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District’s proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs under the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

Budget Revision:

Unanticipated COVID-19 costs funded by unassigned fund balance	\$ 512,816
Compensated Absences payments funded by Employee Benefit Accrued Liability Reserve	105,447
	105,447
Total Budget Revisions	\$ 618,263
	618,263

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

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

B) Encumbrances:

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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

C) Interfund Transfers:

The District made interfund transfers during the year, which exceeded amounts provided in the District's budget for expenditures incurred in the special aid fund.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A) Cash:

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

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement 40, Deposit and Investment Risk Disclosures, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

Restricted Cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and cash equivalents at June 30, 2021 included \$5,423,350 within the governmental funds for general reserve, scholarships, and capital projects.

B) Investments Pool:

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Total investments of the cooperative at June 30, 2021 are \$3,369,964,660, which consisted of \$371,757,483 in repurchase agreements, \$1,940,950,074 in U.S. Treasury Securities and \$1,057,257,103 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General fund	\$ 1,917,940
Capital projects fund	2,569,066
Special revenue fund - Scholarships	48,867
	\$ 4,535,873

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

NOTE 5 – PARTICIPATION IN BOCES

During the year, the District was billed \$713,550 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$253,537. Financial statements for the BOCES are available from the BOCES administrative office at 201 Sunrise Highway, Patchogue, New York 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

Federal and state aid receivable at June 30, 2021 consisted of:

General fund	
NYS - Excess cost aid	\$ 34,915
Total general fund	34,915
Special aid fund	
State aid	57,900
Federal aid	129,899
Total special aid fund	187,799
School Food Service Fund	
State aid	930
Federal aid	27,085
Total	28,015
Total - All funds	\$ 250,729

District management has deemed these amounts to be fully collectible.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2021 consisted of:

BOCES Aid	\$	236,372
Tuition services & health services - other districts		358,937
	\$	595,309

District management has deemed these amounts to be fully collectible.

NOTE 8 – COLLECTIONS IN ADVANCE

Collections in advance at June 30, 2021 consisted of:

General fund	
Retiree deferred amounts	\$ 7,461
Total - General Fund	7,461
Special aid fund	
Federal grant	4,291
Local grant	4,465
Total - Special Aid Fund	8,756
School food service fund	
Student prepaid meals	1,454
Total - School Food Service Fund	1,454
 Total - All funds	 \$ 17,671

NOTE 9 – INTERFUND TRANSACTIONS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 385,166	\$ 648,917	\$ -	\$ 2,510,154
Special aid fund		367,266	27,435	
School food service	30,185		142,000	
Capital projects fund		17,900	250,000	
Debt Service fund	616,748		2,090,719	
Total governmental funds	1,032,099	1,034,083	2,510,154	2,510,154
Custodial fund	1,984			
Total	\$ 1,034,083	\$ 1,034,083	\$ 2,510,154	\$ 2,510,154

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law. In addition, the general fund transferred monies to the school food service fund to subsidize a loss incurred in the fiscal year ending June 30, 2021, and the general fund transferred monies to the capital projects fund in accordance with the general fund budget. The general fund also transferred monies to the debt service fund for the payment of principal and interest on the District's outstanding bond obligations.

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

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

NOTE 10 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 278,150	\$ -	\$ -	\$ 278,150
Construction in progress	17,116,978	11,280,188	(17,116,978)	11,280,188
Total capital assets not depreciated	17,395,128	11,280,188	(17,116,978)	11,558,338
Capital assets that are depreciated:				
Building and Improvements	6,379,069	138,740	17,116,978	23,634,787
Furniture and equipment	1,059,816	238,174	(140,504)	1,157,486
Vehicles	24,721			24,721
Site improvements	657,416			657,416
Total depreciable historical cost	8,121,022	376,914	16,976,474	25,474,410
Less accumulated depreciation:				
Building & building improvements	3,043,806	307,242		3,351,048
Furniture and equipment	541,159	143,546	(140,504)	544,201
Vehicles	24,721			24,721
Site improvement	175,981	33,013		208,994
Total accumulated depreciation	3,785,667	483,801	(140,504)	4,128,964
Total capital assets, net	<u>\$ 21,730,483</u>	<u>\$ 11,173,301</u>	<u>\$ -</u>	<u>\$ 32,903,784</u>

Depreciation expense and loss on disposal was charged to governmental functions as follows:

General Support	\$ 216,769
Instruction	261,060
School Food Service	5,972
	<u>\$ 483,801</u>

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - SHORT-TERM DEBT:

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

	<u>Maturity</u>	<u>Net Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/25/2021	0.40%	\$ -	\$ 4,700,000	\$ (4,700,000)	\$ -

The TAN's were issued to provide cash flow for the District until the District receives the real property taxes from the Town.

Interest on short-term debt for the year was \$45,368.

NOTE 12 – LONG-TERM LIABILITIES:

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

	<u>Balance June 30, 2020</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 27,935,000	\$ -	\$ (1,350,000)	\$ 26,585,000	\$ 1,220,000
Other long-term liabilities:					
Workers' compensation liabilities	50,228	100,699	(30,861)	120,066	-
Compensated absences payable	1,030,067	-	(46,291)	983,776	150,000
Total long-term liabilities	<u>\$ 29,015,295</u>	<u>\$ 100,699</u>	<u>\$ (1,427,152)</u>	<u>\$ 27,688,842</u>	<u>\$ 1,370,000</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences payable and workers' compensation liabilities.

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Construction Serial Bond	11/21/2018	3/15/2038	3.0 - 4.0%	<u>\$ 26,585,000</u>

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$ 1,220,000	\$ 870,169	\$ 2,090,169
2023	1,245,000	833,569	2,078,569
2024	1,285,000	796,219	2,081,219
2025	1,320,000	757,669	2,077,669
2026	1,365,000	718,069	2,083,069
2027-2031	7,470,000	2,951,644	10,421,644
2032-2036	8,740,000	1,707,294	10,447,294
2037-2038	3,940,000	238,000	4,178,000
	<u>\$ 26,585,000</u>	<u>\$ 8,872,633</u>	<u>\$ 35,457,633</u>

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

	Total
Interest paid	\$ 909,637
Plus interest accrued in the current year	253,799
Less interest accrued in the prior year	<u>(265,311)</u>
Total expense	<u>\$ 898,125</u>

NOTE 13 – PENSION PLANS:

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

A) General Information

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

B) Provisions and Administration:

Teachers’ Retirement System

The TRS is administered by the New York State Teachers’ Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C) Funding Policies:

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30th and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ending March 31st, and the employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year.

i) Contributions:

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was \$692,429 for the TRS and \$169,262 for the ERS.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, 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, 2021 for ERS and June 30, 2020 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.

	<u>ERS</u>	<u>TRS</u>
	March 31, 2021	June 30, 2020
Measurement date		
District's proportionate share of the net pension (asset)/liability	\$ 4,363	\$ 1,062,034
District's portion of the Plan's total net pension (asset)/liability	0.0043813%	0.038434%
Change in proportion since the prior measurement date	0.0000785	0.002555

For the year ended June 30, 2021, the District recognized pension expense of \$93,952 and \$1,365,354 for ERS and TRS, respectively. At June 30, 2021 the District's 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	\$ 53,280	\$ 930,554	\$ -	\$ 54,427
Changes of assumptions	802,148	1,343,226	15,129	478,790
Net difference between projected and actual earnings on pension plan investments		693,601	1,253,206	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	16,629	1,618	28,412	298,473
District contributions subsequent to the measurement date	49,227	692,429		
Total	<u>\$ 921,284</u>	<u>\$ 3,661,428</u>	<u>\$ 1,296,747</u>	<u>\$ 831,690</u>

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Fiscal Year Ended June 30,	ERS	TRS
2022	\$ (80,484)	\$ 349,204
2023	(30,190)	770,645
2024	(72,184)	634,289
2025	(241,832)	377,980
2026	-	(19,457)
Thereafter	-	24,648
Total	<u>\$ (424,690)</u>	<u>\$ 2,137,309</u>

i) 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:

	ERS	TRS
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	1.90% - 4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.70%	2.20%
Cost of living adjustments	1.40%	1.30%

For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2019.

For ERS, the actuarial assumptions are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

For ERS, the long-term expected rate of return on pension plan investments was determined by using a building-block method in which best-estimate ranges of expected return, investment expenses and inflation are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	ERS		TRS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	March 31, 2021		June 30, 2020	
Asset Type:				
Domestic equity	32.0%	4.05%	33.0%	7.10%
International equity	15.0%	6.30%	16.0%	7.70%
Private equity	10.0%	6.75%	8.0%	10.40%
Real Estate	9.0%	4.95%	11.0%	6.80%
Opportunistic portfolio	3.0%	4.50%		
Real assets	3.0%	5.95%		
Cash	1.0%	0.50%		
Inflation indexed bonds	4.0%	3.63%		
Domestic fixed income securities			16.0%	1.80%
High-yield fixed income securities			1.0%	3.90%
Global fixed income securities			2.0%	1.00%
Real Estate Debt			7.0%	3.60%
Cash and equivalents			1.0%	0.70%
Global equities			4.0%	7.40%
Private debt			1.0%	5.20%
Bonds and mortgages	23.0%	0.00%		
	100.0%		100.0%	

The expected real rate of return is net of the long-term inflation assumptions of 2.0% for ERS, and 2.2% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 7.1% for TRS and 5.9% for ERS (the discount rate used by the ERS at the prior years' measurement date of March 31, 2020 was 6.8%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

ii) Sensitivity Of The Proportionate Share Of The Net Pension Asset/Liability To The Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% for ERS and 6.1% for TRS) or 1-percentage point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
ERS			
District's proportionate share of the net pension (asset)/liability \$	1,210,899	\$ 4,363	\$ (1,108,346)
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
District's proportionate share of the net pension (asset)/liability \$	6,708,501	\$ 1,062,034	\$ (3,676,783)

iii) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/liability of the employers as of the respective measurement dates were as follows:

	ERS	TRS
	(Dollars in Thousands)	
Measurement date	March 31, 2021	June 30, 2020
Employers' total pension (liability)	\$ (220,680,157)	\$ (123,242,776)
Plan Net Position	220,580,583	120,479,505
Employers' net pension asset/(liability)	\$ (99,574)	\$ (2,763,271)
Ratio of plan net position to the Employers' total pension liability	99.95%	97.76%

iv) Payables To The Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$49,227 of employer contributions. Employee contributions are remitted monthly.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October, and November 2021 through a state aid deduction and remittance to TRS. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS covered 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, 2021 amounted to \$692,429 of employer contributions and \$92,485 of employee contributions.

E) Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021 totaled \$64,438 and \$316,763, respectively.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Plan Description and Benefits

The District provides primarily post-employment health insurance coverage (the healthcare plan) to retired employees and their spouses in accordance with the provisions of various employment contracts. The healthcare plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The District assumes a portion of the cost of the premium, which ranges from 50% to 100% as determined by the employment contract of the District's retiree. The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2021, the District contributed \$363,727 to the Plan for 49 retirees and beneficiaries.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Current retirees or beneficiaries	49
Active employees	85
	<hr/>
Total	<u>134</u>

Total OPEB Liability

The District’s total OPEB liability of \$24,763,567 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	2.16%
Healthcare cost trend rates	6.60% for 2020, decreasing 0.04% per year to an ultimate rate of 4.10% by 2075

The discount rate was based on the Bond Buyer General Obligation 20 Bond Municipal Index.

Changes in total OPEB liability

Total OPEB liability as of July 1, 2020	\$ 23,234,662
Service cost	1,304,058
Interest on total OPEB liability	536,788
Effect of plan changes	(21,863)
Effect of demographic gains or losses	-
Effect of assumptions changes or inputs	212,002
Benefit payments	<u>(502,080)</u>
Total net changes	<u>1,528,905</u>
Total OPEB liability as of June 30, 2021	<u><u>\$ 24,763,567</u></u>

Changes in Assumptions

The change in assumptions that affected measurement of the total OPEB liability since the prior measurement date are as follows:

- Discount rate decreased from 2.21% to 2.16% in years ending June 30, 2020 and 2021, respectively.

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 (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 29,593,035	\$ 24,763,567	\$ 20,964,665

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 (5.60%) or 1-percentage point higher (7.60%) than the current healthcare cost trend rate:

	1% Decrease (5.60% Decreasing to 3.10%)	Healthcare Cost Trend Rates (6.60% Decreasing to 4.10%)	1% Increase (7.60% Decreasing to 5.10%)
Total OPEB liability	\$ 20,580,339	\$ 24,763,567	\$ 30,340,522

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,169,066. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,882,325	\$ -
Changes of assumptions or other inputs	1,845,569	870,786
Total	<u>\$ 3,727,894</u>	<u>\$ 870,786</u>

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

<u>Fiscal Year Ended June 30,</u>	
2022	\$ 350,083
2023	350,083
2024	350,083
2025	350,083
2026	468,827
Thereafter	987,949
	<u>\$ 2,857,108</u>

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 15 – RISK MANAGEMENT:

A) General Information:

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

B) Public Entity Risk Pool – Risk Retained:

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

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

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2021, as processed by the EEWCC, is \$120,066. Claims activity is summarized as follows:

	2021	2020
Unpaid claims at beginning of year	\$ 50,228	\$ 54,029
Incurred claims	100,699	8,496
Claims payments and adjustments	(30,861)	(12,297)
Unpaid claims at year end	\$ 120,066	\$ 50,228

The EEWCC is holding \$179,653 of cash on account for the District to satisfy these liabilities at June 30, 2021. In addition, the District has reserved \$96,867 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2021. Copies of these statements can be obtained from the District's administrative offices.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

C) Public Entity Risk Pool – Risk Sharing

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

NOTE 16 – FUND BALANCES – ASSIGNED

A) Assigned: Appropriated:

The amount of \$800,000 has been appropriated to partially fund the general fund budget for the year ending June 30, 2022.

B) Restricted Fund Balance – Appropriated Reserves:

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2021 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2022:

ERS Retirement contribution	\$ 206,920
TRS Retirement contribution	105,503
Unemployment	20,000
Workers' Compensation	29,000
Employee benefit accrued liability	50,000
	\$ 411,423

C) Encumbrances:

Encumbrances are classified as follows in the governmental funds at June 30, 2021:

Restricted:

Capital projects fund	\$ 2,629,285
Total Capital Projects Fund	2,629,285

Assigned: Unappropriated Fund Balance

General fund	
General support	30,835
Instruction	35,959
Total General Fund	66,794

Total	\$ 2,696,079
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BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A) Grants:

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

B) Operating Leases

The District leases various copiers under non-cancelable operating leases. Rental expense of \$16,189 was incurred for the fiscal year ended June 30, 2021. Below is a summary of future obligations under operating leases:

Fiscal Year Ended June 30,	Total
2022	\$ 13,109
2023	13,109
2024	8,739
Total lease payments	\$ 34,957

C) Purchase Agreements:

The District has various agreements with BOCES to purchase equipment. The expense for these agreements was \$27,460 for the fiscal year ended June 30, 2021. Below is a summary of future obligations under these purchase agreements:

Fiscal Year Ending June 30,	Total
2022	\$ 13,730

D) Litigation:

As of June 30, 2021, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

NOTE 18 – RESTATEMENT OF FUND BALANCES:

During the fiscal year ended June 30, 2021, the District implemented the provisions under GASB Statement No. 84, *Fiduciary Activities*, which required the District to review its fiduciary activities previously reported in the Agency and Private Purpose Trust funds. Under the new GASB, certain activities no longer meet the requirements to be reported as fiduciary and are required to be reported in the governmental fund statements as special revenue funds. These activities include extraclassroom activities funds, student activities and scholarships. As a result, the District’s opening fund balance for the Extraclassroom Activities and Scholarships funds and the District’s Net Position (Deficit) was restated at July 1, 2020 as follows:

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Extraclassroom Activity Fund	Scholarships Fund	Statement of Net Position
<i>Fund Balance/Net Position (Deficit)</i>				
Beginning of Year, as Reported	\$ 3,677,015	\$ -	\$ -	\$ (7,949,448)
<i>Assets</i>				
Cash	9,460	26,036	55,810	91,306
Due from general fund		1,839		1,839
	<u>9,460</u>	<u>27,875</u>	<u>55,810</u>	<u>93,145</u>
<i>Liabilities</i>				
Other liabilities	9,460			9,460
	<u>9,460</u>	<u>-</u>	<u>-</u>	<u>9,460</u>
<i>Fund Balance/Net Position (Deficit)</i>				
Restricted			55,810	55,810
Assigned, unappropriated		27,875		27,875
	<u>-</u>	<u>27,875</u>	<u>55,810</u>	<u>83,685</u>
<i>Fund Balance/Net Position (Deficit)</i>				
Beginning of Year, as Restated	<u>\$ 3,677,015</u>	<u>\$ 27,875</u>	<u>\$ 55,810</u>	<u>\$ (7,865,763)</u>

NOTE 19 - SUBSEQUENT EVENTS:

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated the activity through the date of the auditor's report and are reporting the following:

On September 8, 2021 the Board of Education passed a resolution to issue tax anticipation notes in the amount of \$4,500,000, which were subsequently issued on September 15, 2021, maturing on June 24, 2022 with a net interest rate of 0.191%.

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 16,423,632	\$ 16,404,934	\$ 16,404,934	\$ -
Other real property tax items	29,050	47,748	55,307	7,559
Charges for services	515,500	515,500	972,805	457,305
Use of money & property	100,000	100,000	4,346	(95,654)
Miscellaneous	21,500	21,500	151,309	129,809
State Sources				
Basic formula	505,597	453,696	376,779	(76,917)
Excess cost aid	248,374	217,141	217,141	-
Lottery aid	-	23,670	23,670	-
BOCES aid	188,629	253,537	253,537	-
Textbook aid	14,089	12,815	12,815	-
Computer software/hardware aid	4,501	331	331	-
TOTAL REVENUES	18,050,872	18,050,872	\$ 18,472,974	\$ 422,102
APPROPRIATED FUND BALANCE				
Appropriated Fund Balance	600,000	1,112,816		
Encumbrances	27,548	27,548		
Appropriated Reserves	335,250	440,697		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	\$ 19,013,670	\$ 19,631,933		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<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	\$ 92,899	\$ 113,140	\$ 106,577	\$ 520	\$ 6,043
Central administration	221,610	205,980	205,963		17
Finance	445,780	435,598	391,882	19,745	23,971
Staff	151,550	146,508	122,188		24,320
Central services	1,128,358	1,548,040	1,537,209	10,570	261
Special items	169,280	200,664	195,066		5,598
Instruction					
Administration & improvement	568,013	518,358	408,280		110,078
Teaching - regular school	4,816,895	5,213,754	5,067,202	34,564	111,988
Programs for students with disabilities	2,294,199	2,157,000	1,944,921	322	211,757
Occupational education	54,000	56,200	56,200		-
Teaching special schools	283,500	242,522	185,430		57,092
Instructional media	400,150	407,639	282,486	266	124,887
Pupil services	874,615	858,155	592,219	807	265,129
Pupil transportation	718,012	621,529	535,047		86,482
Community services	-				
Employee benefits	4,023,171	4,181,022	3,859,614		321,408
Debt Service					
Debt service principal	165,000	165,000	165,000		-
Debt service interest	123,919	50,670	49,287		1,383
TOTAL EXPENDITURES	<u>16,530,951</u>	<u>17,121,779</u>	<u>15,704,571</u>	<u>66,794</u>	<u>1,350,414</u>
OTHER FINANCING USES					
Transfers to other funds	<u>2,482,719</u>	<u>2,510,154</u>	<u>2,510,154</u>		-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 19,013,670</u>	<u>\$ 19,631,933</u>	<u>18,214,725</u>	<u>\$ 66,794</u>	<u>\$ 1,350,414</u>
NET CHANGE IN FUND BALANCE			258,249		
FUND BALANCE - BEGINNING OF YEAR			<u>3,677,015</u>		
FUND BALANCE - END OF YEAR			<u>\$ 3,935,264</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

NYSERS Pension Plan							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0043813%	0.0043028%	0.0042665%	0.0038907%	0.0039431%	0.0037186%	0.0034387%
District's proportionate share of the net pension liability	\$ 4,363	\$ 1,139,416	\$ 302,291	\$ 125,571	\$ 370,504	\$ 596,842	\$ 116,168
District's covered payroll	\$ 1,329,753	\$ 1,336,467	\$ 1,323,799	\$ 1,262,640	\$ 1,129,932	\$ 938,039	\$ 1,040,112
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.33%	85.26%	22.84%	9.95%	32.79%	63.63%	11.17%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%
Discount Rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%
NYSTRS Pension Plan							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.038434%	0.035879%	0.034288%	0.033365%	0.032992%	0.031088%	0.031153%
District's proportionate share of the net pension liability (asset)	\$ 1,062,034	\$ (932,127)	\$ (620,020)	\$ (253,604)	\$ 353,357	\$ (3,229,012)	\$ (3,470,219)
District's covered payroll	\$ 6,792,303	\$ 6,004,238	\$ 5,676,198	\$ 5,362,450	\$ 5,143,634	\$ 4,890,472	\$ 4,770,636
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	15.64%	15.52%	10.92%	4.73%	-6.87%	66.03%	72.74%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount Rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

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

NYSERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 169,262	\$ 149,777	\$ 147,431	\$ 142,986	\$ 137,923	\$ 155,950	\$ 161,036	\$ 141,010	\$ 149,575	\$ 118,980
Contributions in relation to the contractually required contribution	169,262	149,777	147,431	142,986	137,923	155,950	161,036	141,010	149,575	118,980
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,393,812	\$ 1,340,150	\$ 1,252,977	\$ 1,152,136	\$ 1,194,608	\$ 1,234,238	\$ 1,040,450	\$ 956,225	\$ 888,516	\$ 841,063
Contributions as a percentage of covered payroll	12.14%	11.18%	11.77%	12.41%	11.55%	12.64%	15.48%	14.75%	16.83%	14.15%

NYTRS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 692,429	\$ 577,978	\$ 636,000	\$ 547,345	\$ 619,658	\$ 675,065	\$ 818,613	\$ 747,784	\$ 548,050	\$ 520,955
Contributions in relation to the contractually required contribution	692,429	577,978	636,000	547,345	619,658	675,065	818,613	747,784	548,050	520,955
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,265,786	\$ 6,792,303	\$ 6,004,238	\$ 5,676,198	\$ 5,362,450	\$ 5,143,634	\$ 4,890,472	\$ 4,770,636	\$ 4,721,781	\$ 4,805,470
Contributions as a percentage of covered payroll	9.53%	8.51%	10.59%	9.64%	11.56%	13.12%	16.74%	15.67%	11.61%	10.84%

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 1,304,058	\$ 1,047,674	\$ 873,624	\$ 848,179
Interest on total OPEB liability	536,788	641,089	559,723	529,629
Changes in benefit terms	(21,863)	-	-	-
Differences between expected and actual experience	-	2,388,741	-	61,636
Changes in assumptions or other inputs	212,002	2,147,898	(1,464,504)	-
Benefit payments	(502,080)	(515,342)	(452,752)	(470,716)
Net change in total OPEB liability	1,528,905	5,710,060	(483,909)	968,728
Total OPEB liability - beginning	<u>23,234,662</u>	<u>17,524,602</u>	<u>18,008,511</u>	<u>17,039,783</u>
Total OPEB liability - ending	<u>\$ 24,763,567</u>	<u>\$ 23,234,662</u>	<u>\$ 17,524,602</u>	<u>\$ 18,008,511</u>
District's covered employee payroll	\$ 6,727,499	\$ 6,727,499	\$ 5,693,086	\$ 5,841,106
Total OPEB liability as a percentage of covered payroll	368.09%	345.37%	307.82%	308.31%
Discount rate	2.16%	2.21%	3.50%	3.00%
Healthcare trend rate	6.60% to 4.10% by 2075	6.60% to 4.10% by 2075	7.50% to 4.50% by 2023	7.50% to 4.50% by 2023

An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

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

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$18,986,122
Add: Prior year's encumbrances		27,548
Original Budget		19,013,670
Budget Revisions:		
Unanticipated COVID-19 costs funded by unassigned fund balance	\$ 512,816	
Compensated Absences payments funded by Employee Benefit Accrued Liability Reserve	105,447	618,263
Final Budget		\$19,631,933

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget		\$20,658,612
Maximum allowed (4% of 2021-22 budget)		\$ 826,344
General fund fund balance subject to Section 1318 of Real Property Tax Law:		
Assigned fund balance	\$866,794	
Unassigned fund balance	825,864	
Total unrestricted fund balance		1,692,658
Less:		
Appropriated fund balance	800,000	
Encumbrances	66,794	
Total adjustments		866,794
General fund fund balance subject to Section 1318 of Real Property Tax Law		\$ 825,864
Actual percentage of 2021-22 budget		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unassigned fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2021
			Prior Years	Current Year	Total		Proceeds of Obligations	Local Sources	Total	
Funded by the Geothermal System and Five Year Plan Reserve Capital Reserve Fund:										
Five Year Plan/Geothermal	\$ 1,275,000	\$ 1,275,000	\$ 927,673	\$ 35,600	\$ 963,273	\$ 311,727	\$ -	\$ 1,275,000	\$ 1,275,000	\$ 311,727
New Construction Bond Project:										
New Construction Bond Project	29,474,568	29,474,568	16,479,730	10,459,943	26,939,673	2,534,895	29,474,568		29,474,568	2,534,895
20/21 Projects:										
Painting	16,821	16,821	-	16,821	16,821	-		16,821	16,821	-
Parking Lot	146,860	146,860	-	-	-			146,860	146,860	146,860
Principal's Office Renovation	7,255	7,255	-	7,255	7,255			7,255	7,255	-
Technology Room	28,173	28,173	-	28,173	28,173			28,173	28,173	-
New Boiler	12,167	12,167	-	12,167	12,167			12,167	12,167	-
Temp Trailer	38,724	38,724	-	38,724	38,724	-		38,724	38,724	-
	250,000	250,000	-	103,140	103,140	-	-	250,000	250,000	146,860
Totals	\$ 30,999,568	\$ 30,999,568	\$ 17,407,403	\$ 10,598,683	\$ 28,006,086	\$ 2,846,622	\$ 29,474,568	\$ 1,525,000	\$ 30,999,568	\$ 2,993,482

**BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Capital assets, net	<u>\$ 32,903,784</u>
Deduct:	
Short-term portion of bonds payable	1,220,000
Long-term portion of bonds payable	25,365,000
Less: Unspent bond proceeds	<u>(2,534,895)</u>
	<u>24,050,105</u>
 Net investment in capital assets	 <u><u>\$ 8,853,679</u></u>



VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Bridgehampton Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 22, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cullen & Danowski, LLP

September 22, 2021

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

August , 2022

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

Ladies and Gentlemen:

We have acted as Bond Counsel to Bridgehampton 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 \$4,700,000 Tax Anticipation Notes for 2022-2023 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 Bridgehampton 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 the date hereof.

“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 \$4,700,000 Tax Anticipation Notes for 2022-2023 Taxes, dated August 30, 2022, maturing on June 28, 2023, 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 **August 30, 2022**.

BRIDGEHAMPTON UNION FREE SCHOOL DISTRICT

By _____
President of the Board of Education