

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 1, 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, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 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. (See "Tax Matters" herein).

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

EAST HAMPTON UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK

\$6,000,000\* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES SERIES A  
(the "SERIES A TANs")

Date of Issue: September 22, 2022

Maturity Date: February 27, 2023

\$10,000,000\* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES SERIES B  
(the "SERIES B TANs")

Date of Issue: September 22, 2022

Maturity Date: June 27, 2023

[The Series A TANs and Series B TANs are collectively referred to herein as the "Notes"]

The Notes are general obligations of the East Hampton 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 of an issue bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes of an issue 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 September 13, 2022 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the respective final approving opinions 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 September 22, 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.

September , 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.



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SUFFOLK COUNTY, NEW YORK**

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\* \* \*

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
New York, New York

\* \* \*

**MUNICIPAL ADVISOR**



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

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## **OFFICIAL STATEMENT**

### **EAST HAMPTON UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK**

#### **Relating To**

**\$6,000,000\* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES SERIES A**

**\$10,000,000\* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES SERIES B**

**(The Series A TANs and Series B TANs are collectively referred to herein as the "Notes")**

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the East Hampton 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 \$6,000,000\* Tax Anticipation Notes for 2022-2023 Taxes Series A and \$10,000,000\* Tax Anticipation Notes for 2022-2023 Taxes Series B (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 affected education, travel, commerce, financial markets globally and economic growth worldwide. 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: Sam Schneider, Assistant Superintendent for Business, East Hampton Union Free School District, 4 Long Ln., East Hampton, New York 11937, Phone (631) 329-4100, Fax (631) 907-3308 and email: sam.schneider@ehschools.org.

#### **Optional Redemption**

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

#### **Book-entry-only System**

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

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\*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](http://www.dtcc.com) and [www.dtc.org](http://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 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 "*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 East Hampton (the “Town”) and includes the Village of East Hampton (the “Village”) within its boundaries. The District has a land area of approximately 39 square miles and a current estimated population of 9,005.

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

The District is an affluent residential community made up of mostly single-family dwellings. According to the 2019 U.S. Census, median housing values for the Town and Village are well above County, State and U.S. averages.

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

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

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

### **District Organization**

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

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

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

### Enrollment

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

<u>School Year</u>	<u>School Enrollment</u>
2018	1,786
2019	1,789
2020	1,778
2021	1,834
2022	1,855

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	1,860
2024	1,860

Source: District Officials.

### District Facilities

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

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

### Employees

The District provides services through approximately 373 employees who are represented by the following units of organized labor, plus non-union employees not represented.

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
East Hampton Teachers Assoc., East Hampton School Nurses	06/30/2027	238
East Hampton School Related Professionals Assoc.	06/30/2025	126
East Hampton Administrator's Assoc.	06/30/2024	9

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Trends

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

<u>Year</u>	<u>District</u>	<u>Village of East Hampton</u>	<u>Town of East Hampton</u>	<u>Suffolk County</u>
1980	-	1,886	14,029	1,284,231
1990	-	1,402	16,132	1,321,864
2000	-	1,334	19,719	1,419,369
2010	8,917	1,083	21,457	1,493,350
2020	9,005	920	22,034	1,481,364

Source: U.S. Bureau of the Census.

### Income Data

The information set forth below with respect to such Town, County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Town, County or the State or vice versa

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020<sup>a</sup></u>
District	-	-	\$64,480	\$81,981
Town of East Hampton	\$24,285	\$31,300	51,639	69,212
County of Suffolk	18,481	26,577	35,755	46,466
State of New York	16,501	23,389	30,948	40,898

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020<sup>a</sup></u>
District	-	-	\$84,798	\$111,667
Town of East Hampton	\$45,106	\$60,743	76,769	107,917
County of Suffolk	49,128	65,288	84,506	105,362
State of New York	32,965	43,393	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 East Hampton <sup>a</sup>**  
(As of 2021)

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 East Hampton.

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Town of East Hampton	Municipality	665
Public Schools (4 Districts)	Education	533
Gurney's Inn	Restaurant/Hotel	250
Dune Management	Hotel	230
Village of East Hampton	Municipality	165
Riverhead Building Supply	Construction Supplies	59
United States Post Office	Post Office	38
East Hampton STAR Newspapers	Media	35

Source: Town of East Hampton.

**Unemployment Rate Statistics**

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

<u>Annual Averages:</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2017	4.5	4.6
2018	3.8	4.1
2019	3.5	3.8
2020	8.5	10.0
2021	4.9	7.2
2022 (6 Month Average) <sup>a</sup>	3.3	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.

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 September 1, 2022)

<u>In Town of:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
East Hampton (2020-2021) <sup>a</sup>	\$96,584,837	0.58%	<u>\$16,652,558,103</u>
Debt Limit - 10% of Full Valuation			\$1,665,255,810
Inclusions: <sup>b</sup>			
Outstanding Bonds			\$38,145,000
Bond Anticipation Notes			<u>0</u>
Total Indebtedness			<u>38,145,000</u>
Exclusions (Estimated Building Aid) <sup>c</sup>			<u>3,814,500</u>
Total Net Indebtedness			<u>34,330,500</u>
Net Debt Contracting Margin			<u><u>\$1,630,925,310</u></u>
Per Cent of Debt Contracting Margin Exhausted			2.06%

- <sup>a</sup>. The latest completed assessment roll for which a State Equalization Rate has been established.  
<sup>b</sup>. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.  
<sup>c</sup>. 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 notes are to be issued.

**Details of Short-Term Indebtedness Outstanding**

As of the date of this Official Statement, the District has no short-term debt.

**Trend of Outstanding Indebtedness**  
As of June 30:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022<sup>a</sup></u>
Bonds	\$43,450,000	\$40,245,000	\$36,880,000	\$42,245,000	\$38,145,000
BANs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Outstanding:	<u><u>\$43,450,000</u></u>	<u><u>\$40,245,000</u></u>	<u><u>\$36,880,000</u></u>	<u><u>\$42,245,000</u></u>	<u><u>\$38,145,000</u></u>

Source: Audited Financial Statements of the District.  
a. Unaudited

**Debt Service Requirements - Outstanding Bonds <sup>a</sup>**

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,280,000	\$1,192,716	\$ 5,472,716
2024	4,475,000	993,716	5,468,716
2025	4,685,000	785,154	5,470,154
2026	4,900,000	566,279	5,466,279
2027	5,075,000	381,691	5,456,691
2028	5,190,000	278,686	5,468,686
2029	2,940,000	166,161	3,106,161
2030	1,435,000	101,801	1,536,801
2031	440,000	71,864	511,864
2032	445,000	66,364	511,364
2033	450,000	60,801	510,801
2034	455,000	55,176	510,176
2035	465,000	49,489	514,489
2036	470,000	43,095	513,095
2037	475,000	36,633	511,633
2038	480,000	29,983	509,983
2039	490,000	23,023	513,023
2040	495,000	15,673	510,673
2041	500,000	8,000	508,000
Totals:	<u>\$38,145,000</u>	<u>\$4,926,304</u>	<u>\$43,071,304</u>

Source: Audited Financial Statements of the District.

a. Does not include payments made to date.

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**Debt Service Requirements – Energy Performance Contract <sup>a</sup>**

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 228,057	\$107,416	\$ 335,472
2024	233,902	101,570	335,472
2025	239,898	95,575	335,472
2026	246,047	89,425	335,472
2027	252,354	83,119	335,472
2028	258,822	76,650	335,472
2029	265,456	70,016	335,472
2030	272,260	63,212	335,472
2031	279,239	56,233	335,472
2032	286,396	49,076	335,472
2033	293,737	41,735	335,472
2034	301,266	34,206	335,472
2035	308,989	26,484	335,472
2036	316,909	18,564	335,472
2037	325,032	10,441	335,472
2038	165,627	2,109	167,736
<b>Totals:</b>	<b>\$4,273,990</b>	<b>\$925,830</b>	<b>\$5,199,819</b>

Source: Audited Financial Statements of the District.

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:

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Amount</u>	<u>Issue</u>	<u>Maturity</u>
2018	\$14,000,000	11/8/2017	6/27/2018
2019	14,000,000	10/11/2018	6/27/2019
2020	14,000,000	10/11/2019	6/25/2020
2021	15,500,000	9/28/2020	6/25/2021
2022	15,000,000	10/6/2021	6/24/2022

**Authorized and Unissued Debt**

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

### Operating Leases

The District leases copier and office equipment under several non-cancelable operating leases. The remaining operating lease payments are below:

Fiscal Year Ending	<u>Total</u>
<u>June 30:</u>	
2023	\$154,437
2024	154,437
2025	<u>154,437</u>
Totals:	<u><u>\$463,311</u></u>

### 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	06/30/2022	4.10	\$ 56,004,325	\$48,807,518
Town of East Hampton	07/31/2022	47.30	45,076,927	41,893,637
Village of East Hampton	07/14/2022	100.00	<u>2,820,000</u>	<u>2,720,000</u>
Totals:			<u><u>\$103,901,252</u></u>	<u><u>\$93,421,155</u></u>

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

### Debt Ratios (As of September 1, 2022)

	<u>Amount</u>	<u>Per Capita</u> <sup>a</sup>	<u>Percentage of Full Value (%)</u> <sup>b</sup>
Total Direct Debt	\$ 38,145,000	\$ 4,236	0.229
Net Direct Debt	34,330,500	3,812	0.206
Total Direct & Applicable Total Overlapping Debt	142,046,252	15,774	0.853
Net Direct & Applicable Net Overlapping Debt	127,751,655	14,187	0.767

a. The current population of the District is 9,005.

b. The full valuation of taxable property for 2021-2022 is \$16,652,558,103.

## **FINANCES OF THE DISTRICT**

### **Impact of COVID-19**

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 as been allocated \$147,800 in CARES Act funding and has received \$147,800. The District is expected to receive a total of \$1,438,599 through CRRSA and ARP funding and has received \$1,135,000 to date. (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 transaction, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

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

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

## **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>	State Aid to <u>Revenues (%)</u>
2017	66,564,766	3,161,380	4.75
2018	67,889,842	2,992,719	4.41
2019	69,267,558	3,392,187	4.90
2020	69,138,020	3,355,080	4.85
2021	71,817,459	3,247,736	4.52
2022 (Budgeted) <sup>a</sup>	75,157,245	3,511,202	4.67
2023 (Budgeted) <sup>a</sup>	76,502,823	3,517,942	4.60

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 initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19 including closing schools and non-essential businesses for an extended period. 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 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 Enacted 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.

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 2022-23 Enacted Budget was adopted on April 9, 2022. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, 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 revisions. Reductions in federal funding levels could have a materially adverse impact on the State budget.

In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

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

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

### ***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)*” under the subheading “*Events Affecting State Aid to New York School Districts*” 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 NYSER 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 2021, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of Foundation Aid funding is set forth 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 (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 included 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 were 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 increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019-2020 Enacted Budget continued 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 provided \$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 represented 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 allocated \$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 allocated \$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 used \$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 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: 10.0%; Environmental Score: 20.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The District has not been audited in the past five years.

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 Official Statement.

### **Employee Pension System**

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System (“ERS”). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year’s full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

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



On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at \$15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of \$75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

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

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

Fiscal Year	<u>TRS</u>	<u>ERS</u>
<u>Ending June 30:</u>		
2018	\$2,631,528	\$1,147,020
2019	3,111,295	1,259,879
2020	2,451,253	1,150,298
2021	2,626,989	1,165,390
2022 (Unaudited)	2,848,675	1,140,702

Source: District Officials.

## Other Post-Employment Benefits

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

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

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

The District’s total OPEB liability at June 30, 2022 is as follows:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2022:</u>
Total OPEB liability as of June 30, 2021	\$119,865,004
Changes for the year:	
Service Cost	4,717,998
Interest	2,659,512
Effect of Demographic Gains or Losses	(8,138,441)
Changes in Assumptions or Other Inputs	(12,716,975)
Benefit Payments	(2,930,582)
Total Changes	<u>(\$16,408,488)</u>
Total OPEB liability as of June 30, 2022	<u><u>\$103,456,516</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.

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

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

## TAX INFORMATION

### Real Property Taxes

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

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

Fiscal Year <u>Ending June 30:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2017	\$66,564,766	\$49,696,920	74.66
2018	67,889,842	49,634,876	73.11
2019	69,267,558	50,619,978	73.08
2020	69,138,020	51,583,767	74.61
2021	71,817,459	52,973,456	73.76
2022 (Budgeted) <sup>a</sup>	75,157,245	54,679,935	72.75
2023 (Budgeted) <sup>a</sup>	76,502,823	55,635,763	72.72

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 do not include appropriations of fund balance.

## **Tax Collection Procedure**

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

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

## **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.

Fiscal Year Ending <u>June 30:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>	Per \$1,000 of <u>Assessed Valuation</u>	<u>Tax Levy</u>
2018	\$94,223,282	0.57	\$16,530,400,351	534.25	49,634,876
2019	94,697,564	0.58	16,327,166,207	544.46	50,619,978
2020	95,797,870	0.56	17,106,762,500	538.10	51,558,825
2021	96,412,598	0.58	16,622,861,724	549.21	52,964,285
2022	96,584,837	0.58	16,652,558,103	564.19	54,679,935

Source: Town Officials.

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

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Key Span Energy Development Corp.	Utility	\$773,354
Lewis Sanders	Private Estate	301,300
252 further Lane, LLC	Private Estate	262,750
Calvin Klein	Commercial	262,480
Hamptons Residence LLC	Commercial	227,500
Norma Lerner	Private Estate	225,050
Loren Hostek	Private Estate	218,670
62FL LLC	Commercial	202,825
73 Beach Terminal, LLC	Commercial	200,550
101 LPL LLC	Commercial	196,125
Lee Avenue Lot 1 LLC	Commercial	194,160
16 Hither Main, LLC	Commercial	171,625
Ronald O Perelman	Private Estate	170,000
Nala LLC	Commercial	167,775
Maidstone Club Inc	Commercial	164,150
	<b>Total <sup>a</sup></b>	<b>\$3,738,314</b>

a. Represents 3.87% of the total assessed valuation of the District for 2021-2022.

Source: Town Assessment Rolls

## 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.

## LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

There is one case worthy of special mention:

*Mautschke v. B& B Maintenance and the East Hampton UFSD*: This case involves a District speech teacher who slipped on ice at the Middle School parking lot on December 23, 2020, suffering significant injury. She sued the maintenance company responsible for clearing snow and ice from the parking lot, as well as the District. The District filed a motion to dismiss on the grounds that her exclusive remedy against the District is a Workers Compensation claim which she did file, and was awarded benefits pursuant to the Workers Compensation law. The District has not received a ruling on the motion from Supreme Court, Suffolk County, but District's counsel is confident that the court will dismiss as against the District.

## 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 initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for extended periods. 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, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of 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.

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 Continuing Disclosure”, substantially in the form of which is attached hereto as Appendix D.

## **RATING**

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

## **MUNICIPAL ADVISOR**

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has 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: Sam Schneider, Assistant Superintendent for Business, East Hampton Union Free School District, 4 Long Ln., East Hampton, New York 11937, Phone (631) 329-4100, Fax (631) 907-3308 and email: sam.schneider@ehschools.org. 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](http://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 JAMES P. FOSTER  
President of the Board of Education  
East Hampton Union Free School District  
East Hampton, New York

September , 2022

**APPENDIX A**

**FINANCIAL INFORMATION**

**Balance Sheet  
General Fund**

	Fiscal Year Ending June 30:	
	2020	2021
<b>Assets:</b>		
Unrestricted Cash	\$ 2,525,455	\$ 5,809,530
Restricted Cash	15,460,683	19,554,968
Investments	448,114	449,388
Accounts Receivable	6,024	58,601
State & Federal Aid Receivable	714,135	705,669
Due From Other Governments	3,288,874	1,870,063
Due From Other Funds	1,895,457	448,051
Prepaid	16,667	16,667
Total Assets	\$ 24,355,409	\$ 28,912,937
<b>Liabilities &amp; Deferred Revenue:</b>		
Accounts Payable	\$ 1,201,291	\$ 1,120,388
Due To Other Governments	112,745	280,717
Due to Other Funds		44,437
Due to Teachers Retirement System,	2,663,786	2,893,660
Due to Employees' Retirement System	286,755	318,101
Compensated Absences Payable	404,294	432,631
Deferred Inflow - Unearned Income	372,497	249,698
Total Liabilities & Deferred Revenue	5,041,368	5,339,632
<b>Fund Balance:</b>		
Non-spendable	16,667	16,667
Restricted	15,460,683	19,554,968
Assigned	449,455	431,715
Unassigned	3,387,236	3,569,955
Total Fund Equity and Other Credits	19,314,041	23,573,305
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 24,355,409	\$ 28,912,937

Source: Audited Annual Financial Reports (2020-2021)

NOTE: This table 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>
<b>Revenues:</b>					
Real Property Taxes	\$ 48,696,920	\$ 49,634,876	\$ 50,619,978	\$ 51,583,767	\$ 52,973,456
Real Property Tax Items	473,749	515,673	545,267	589,073	579,840
Charges for Services	13,946,175	14,245,044	13,989,510	13,036,809	14,330,445
Use of Money and Property	68,375	276,552	444,838	271,518	22,146
Sale of Property and Compensation for Loss		17,136	7,803		77,458
Miscellaneous	218,167	207,842	267,975	301,773	438,575
State Sources	3,161,380	2,992,719	3,392,187	3,355,080	3,247,736
Federal Sources					147,803
Total Revenues	<u>66,564,766</u>	<u>67,889,842</u>	<u>69,267,558</u>	<u>69,138,020</u>	<u>71,817,459</u>
<b>Expenditures:</b>					
General Support	6,833,567	6,815,916	6,900,540	6,782,461	7,155,992
Instruction	33,648,306	35,026,717	35,186,093	34,801,359	35,085,465
Pupil Transportation	2,008,015	2,180,630	2,197,280	2,085,565	2,142,686
Community Services	78,200	76,851	74,400	47,209	41,687
Employee Benefits	15,227,084	15,958,762	17,689,455	16,449,471	16,922,592
Debt Service	170,200	178,111	298,667	172,861	172,437
Total Expenditures	<u>57,965,372</u>	<u>60,236,987</u>	<u>62,346,435</u>	<u>60,338,926</u>	<u>61,520,859</u>
<b>Other Sources (Uses):</b>					
Operating Transfers In				546,614	
Operating Transfers Out	(6,603,580)	(6,366,128)	(6,014,603)	(5,982,282)	(6,037,336)
Total Other Sources (Uses)	<u>(6,603,580)</u>	<u>(6,366,128)</u>	<u>(6,014,603)</u>	<u>(5,435,668)</u>	<u>(6,037,336)</u>
<b>Excess (Deficit) Revenues &amp; Other Sources</b>					
Over Expenditures & Other Uses	1,995,814	1,286,727	906,520	3,363,426	4,259,264
Fund Balances Beg. of Fiscal Year	11,761,554	13,757,368	15,044,095	15,950,615	19,314,041
Prior Period Adjustments					
Fund Balances End of Fiscal Year	<u>\$ 13,757,368</u>	<u>15,044,095</u>	<u>15,950,615</u>	<u>19,314,041</u>	<u>23,573,305</u>

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

NOTE: This table NOT audited

## Budget Summaries

	Fiscal Year Ending June 30:	
	<u>2021-2022</u>	<u>2022-2023</u>
Revenues:		
Real Property Taxes (Incl. STAR)	\$ 54,679,935	\$ 55,635,763
State Aid	3,511,202	3,517,942
Tuition*	14,075,000	16,162,532
Available Fund Balance	2,200,000	300,000
Miscellaneous Items	<u>691,108</u>	<u>886,586</u>
Total Revenues	\$ <u>75,157,245</u>	\$ <u>76,502,823</u>
Expenditures:		
General Support	\$ 7,776,878	\$ 8,081,535
Instruction	37,577,374	40,165,609
Pupil Transportation	2,185,143	3,074,679
Community Service	78,800	78,800
Employee Benefits	18,476,332	19,368,011
Interfund Transfer	2,945,000	45,000
Debt Service	<u>6,117,718</u>	<u>5,689,189</u>
Total Expenditures	\$ <u>75,157,245</u>	\$ <u>76,502,823</u>

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

Sources: Adopted Budgets of the District.

**APPENDIX B**

**CASH FLOWS**



**EAST HAMPTON UNION FREE SCHOOL DISTRICT**

**ACTUAL CASH FLOW SUMMARY 2021-2022 <sup>a</sup>**

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance <sup>b</sup>	10,313	8,753	6,309	1,111	10,221	4,511	533	27,599	27,512	25,852	23,586	21,568	10,313
<b>Receipts</b>													
Property Taxes							30,000	3,728	250	1,100	4,100	15,536	54,714
STAR & PILOT Payment								179	168			179	526
State Aid	171	190	1,025	975	650	510	19	517	1,260	117	245	209	5,888
Other Receipts	1,882	309	250	509	1,016	1,346	2,255	1,706	2,006	1,994	1,411	4,155	18,839
TAN Proceeds				15,146									15,146
<b>Total Receipts</b>	<b>2,053</b>	<b>499</b>	<b>1,275</b>	<b>16,630</b>	<b>1,666</b>	<b>1,856</b>	<b>32,274</b>	<b>6,130</b>	<b>3,684</b>	<b>3,211</b>	<b>5,756</b>	<b>20,079</b>	<b>95,113</b>
<b>Disbursements</b>													
Salaries & Benefits	2,377	1,679	4,727	5,814	4,165	4,571	4,415	4,373	4,442	4,988	5,354	8,504	55,409
Operating Expenses	1,151	1,190	818	697	812	556	543	1,339	632	309	1,206	604	9,857
Debt Service		59				632		454				4,337	5,482
Retirement System			888	964	2,204								4,056
Trans to other Funds	85	15	40	45	195	75	250	51	270	180	1,214	479	2,899
TAN Principal												15,000	15,000
TAN Interest												161	161
<b>Total Disbursements</b>	<b>3,613</b>	<b>2,943</b>	<b>6,473</b>	<b>7,520</b>	<b>7,376</b>	<b>5,834</b>	<b>5,208</b>	<b>6,217</b>	<b>5,344</b>	<b>5,477</b>	<b>7,774</b>	<b>29,085</b>	<b>92,864</b>
<b>Balance</b>	<b>8,753</b>	<b>6,309</b>	<b>1,111</b>	<b>10,221</b>	<b>4,511</b>	<b>533</b>	<b>27,599</b>	<b>27,512</b>	<b>25,852</b>	<b>23,586</b>	<b>21,568</b>	<b>12,562</b>	<b>12,562</b>
<b>Note Payment Account</b>													
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	15,000	15,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	15,000	15,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Balance as of June 30, 2021 includes approximately \$4.2 million in restricted reserves. Actual cash flow includes Federal and State pass-through receipts and expenditures. Projected does not.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**

**PROJECTED CASH FLOW SUMMARY 2022-2023 <sup>a</sup>**

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance <sup>b</sup>	12,562	9,672	7,260	17,494	11,007	5,162	1,134	21,307	18,309	16,440	15,037	14,029	12,562
<b>Receipts</b>													
Property Taxes							28,750	3,700	312	1,613	4,250	17,010	55,635
STAR & PILOT Payment								179	168			179	526
State Aid			500	510	445	404	2	500	582	120	245	209	3,517
Other Receipts	48	4	212	507	1,010	1,200	2,571	1,712	2,000	1,994	1,411	4,155	16,824
TAN Proceeds			16,000										16,000
<b>Total Receipts</b>	<b>48</b>	<b>4</b>	<b>16,712</b>	<b>1,017</b>	<b>1,455</b>	<b>1,604</b>	<b>31,323</b>	<b>6,091</b>	<b>3,062</b>	<b>3,727</b>	<b>5,906</b>	<b>21,553</b>	<b>92,502</b>
<b>Disbursements</b>													
Salaries & Benefits	2,423	1,604	4,750	5,820	4,126	4,492	4,400	4,276	4,086	4,700	4,700	8,000	53,377
Operating Expenses	515	587	800	675	775	525	500	1,200	575	250	1,000	500	7,902
Debt Service		225				540		625				4,420	5,810
Retirement System			888	964	2,204								4,056
Trans to other Funds			40	45	195	75	250	2,988	270	180	1,214	479	5,736
TAN Principal							6,000					10,000	16,000
TAN Interest												225	225
<b>Total Disbursements</b>	<b>2,938</b>	<b>2,416</b>	<b>6,478</b>	<b>7,504</b>	<b>7,300</b>	<b>5,632</b>	<b>11,150</b>	<b>9,089</b>	<b>4,931</b>	<b>5,130</b>	<b>6,914</b>	<b>23,624</b>	<b>93,106</b>
Balance	9,672	7,260	17,494	11,007	5,162	1,134	21,307	18,309	16,440	15,037	14,029	11,958	11,958
<b>Note Payment Account</b>													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	6,000	0	0	0	0	10,000	16,000
Disbursements	0	0	0	0	0	0	6,000	0	0	0	0	10,000	16,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Balance as of June 30, 2022 includes approximately \$6 million in reserves.

**EAST HAMPTON 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.

EAST HAMPTON UNION FREE  
SCHOOL DISTRICT

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

June 30, 2021

# EAST HAMPTON UNION FREE SCHOOL DISTRICT

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EAST HAMPTON UNION FREE SCHOOL DISTRICT

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\* \* \* \* \*

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Hampton 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.

## Other Matters

As discussed in note 1(c)(ii) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84 - "Fiduciary Activities," during the year ended June 30, 2021. Our opinions are not modified with respect to this matter.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 and the additional information on pages 56 through 60, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.



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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2021, on our consideration of the East Hampton Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 5, 2021

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

The following is a discussion and analysis of the East Hampton Union Free School District’s (the District) financial performance for the fiscal year ended June 30, 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**

- On the District-Wide financial statements, revenues increased 3.3%. Expenses decreased by 1.9% primarily as a result of a decrease in general support and instruction.
- On April 20, 2021 the proposed 2021-2022 budget in the amount of \$75,157,245 was authorized by the District’s residents.
- The voters of the District approved to spend an estimated \$1.9 million from the Capital Reserve to fund new capital projects. The Capital Reserve fund was previously approved by the voters in the District on May 16, 2017.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

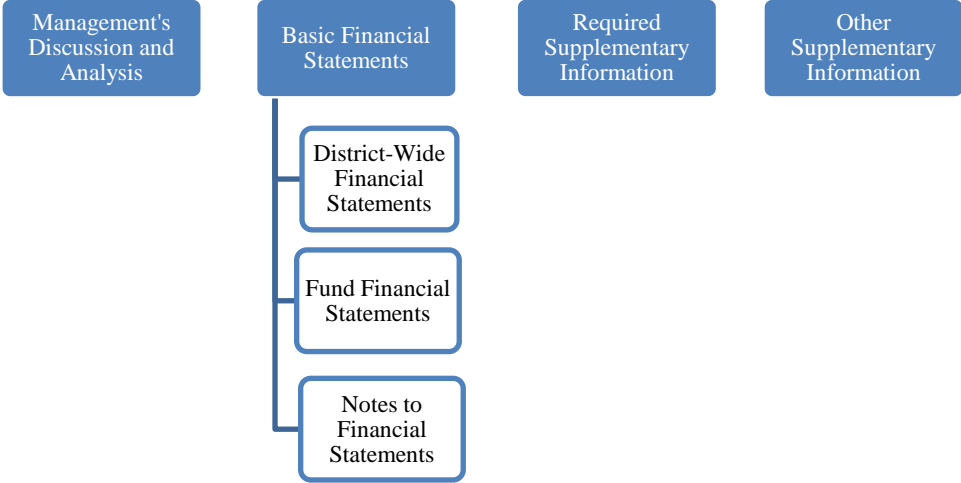
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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 Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as collecting taxes for other governments
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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 and 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	Current assets, deferred outflows of resources, liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**A. District-Wide Statements**

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

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

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

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

District-Wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of 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 revenues 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 net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.
  - *Restricted net positions* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**B. Fund Financial Statements**

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

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.
- *Fiduciary funds:* The District collects and remits taxes to East Hampton Public Library. The District excludes these activities from the District-Wide financial statements because it cannot use these to finance its operations.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position decreased by \$1,976,238 for the fiscal year ended June 30, 2021.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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

	Fiscal Year 2021	Fiscal Year 2020*	Increase/ (Decrease)
Current assets and other assets	\$ 36,650,062	26,238,015	10,412,047
Other noncurrent assets	-	4,276,513	(4,276,513)
Capital assets	<u>84,878,686</u>	<u>84,254,486</u>	<u>624,200</u>
Total assets	<u>121,528,748</u>	<u>114,769,014</u>	<u>6,759,734</u>
Deferred outflows of resources	<u>25,682,214</u>	<u>23,042,213</u>	<u>2,640,001</u>
Current liabilities	4,942,044	4,605,667	336,377
Long-term liabilities	<u>182,892,583</u>	<u>172,754,214</u>	<u>10,138,369</u>
Total liabilities	<u>187,834,627</u>	<u>177,359,881</u>	<u>10,474,746</u>
Deferred inflows of resources	<u>16,351,968</u>	<u>15,450,741</u>	<u>901,227</u>
Net position (deficit):			
Net investment in capital assets	42,040,396	41,601,992	438,404
Restricted	27,140,187	16,679,554	10,460,633
Unrestricted	<u>(126,156,216)</u>	<u>(113,280,941)</u>	<u>(12,875,275)</u>
Total net position (deficit)	\$ <u>(56,975,633)</u>	<u>(54,999,395)</u>	<u>(1,976,238)</u>

\* Restated for change in accounting principle.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**B. Changes in Net Position**

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

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

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)
<b>Revenue:</b>			
Program revenue:			
Charges for services	\$ 14,458,136	13,340,494	1,117,642
Operating grants	1,227,049	1,188,432	38,617
General revenues:			
Real property taxes and other items	53,553,296	52,172,840	1,380,456
State sources	3,127,706	3,475,110	(347,404)
Use of money and property	23,335	292,174	(268,839)
Other	<u>715,724</u>	<u>301,773</u>	<u>413,951</u>
Total revenue	<u>73,105,246</u>	<u>70,770,823</u>	<u>2,334,423</u>
<b>Expenses:</b>			
General support	11,065,553	11,329,771	(264,218)
Instruction	56,268,205	56,890,372	(622,167)
Pupil transportation	2,834,682	2,903,538	(68,856)
Community services	41,687	47,209	(5,522)
Debt service - interest	1,376,535	1,656,672	(280,137)
School lunch program	680,707	871,857	(191,150)
Depreciation (unallocated)	<u>2,814,115</u>	<u>2,860,692</u>	<u>(46,577)</u>
Total expenses	<u>75,081,484</u>	<u>76,560,111</u>	<u>(1,478,627)</u>
Change in net position	\$ <u>(1,976,238)</u>	<u>(5,789,288)</u>	<u>3,813,050</u>

The District's total fiscal year 2021 revenue totaled \$73,105,246. Property taxes and charges for services accounted for most of the District's revenue by contributing 73.3% and 19.7%, respectively of every dollar raised. (See Table A-5.) The remainder came from state and federal aid, operating grants, investment earnings and rental of property, and other miscellaneous sources.

The total cost of all programs and services totaled \$75,081,484 for fiscal year 2021. These expenses are predominantly related to instruction, which account for 74.9% of district expenses. (See Table A-6). The District's general support activities accounts for 14.7%.



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Table A-5: Revenue for Fiscal Year 2021 (See Table A-4).

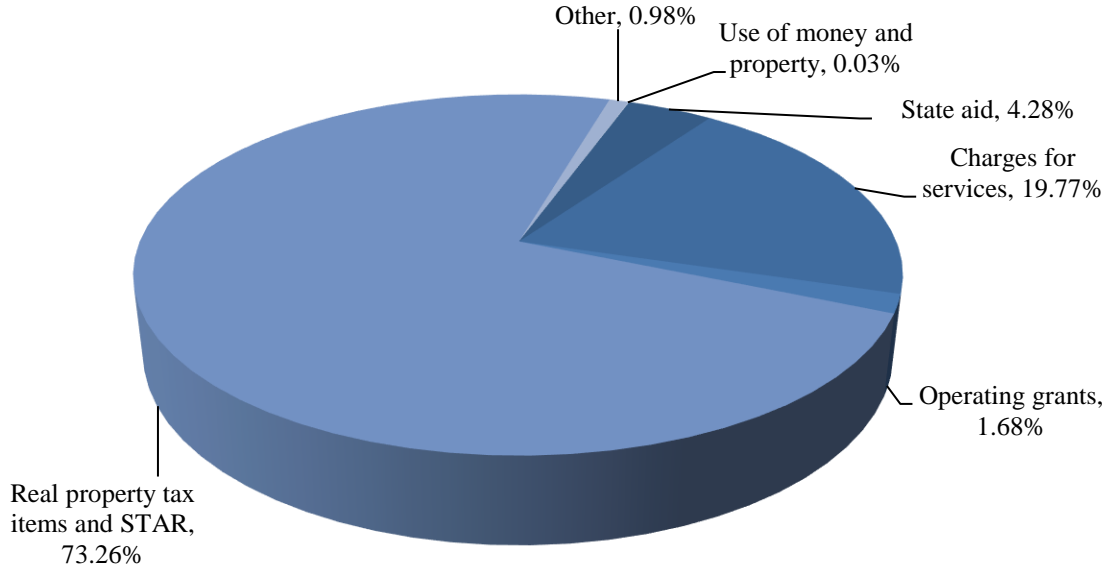
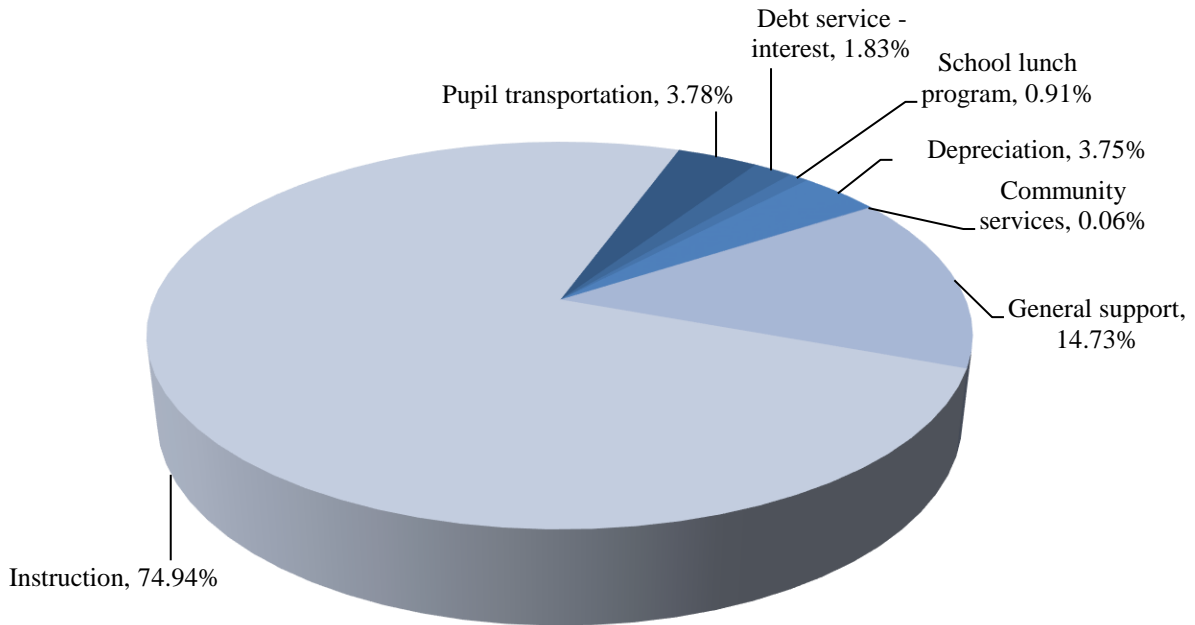


Table A-6: Expenses for Fiscal Year 2021 (See Tables A-4 and A-7)



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**C. Governmental Activities**

Revenue for the District’s governmental activities totaled \$73,105,246 while total expenses equaled \$75,081,484 resulting in a change of net position of approximately (\$1.9) million, primarily from changes in actuarial assumptions related to pensions and OPEB under GASB Statement No. 68 and GASB Statement No. 75. The overall good financial condition of the District, as a whole, can be credited to:

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

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost (Revenue) of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2021	2020	2021	2020
General support	\$ 11,065,553	11,329,771	11,065,553	11,329,771
Instruction	56,268,205	56,890,372	41,236,894	43,145,347
Pupil transportation	2,834,682	2,903,538	2,834,682	2,903,538
Community services	41,687	47,209	41,687	47,209
Debt service - interest	1,376,535	1,656,672	1,376,535	1,656,672
School lunch program	680,707	871,857	26,833	87,956
Depreciation (unallocated)	<u>2,814,115</u>	<u>2,860,692</u>	<u>2,814,115</u>	<u>2,860,692</u>
	\$ <u>75,081,484</u>	<u>76,560,111</u>	<u>59,396,299</u>	<u>62,031,185</u>

- The cost of all governmental activities this year was \$75,081,484. (Statement of Activities, Expenses column).
- The users of the District’s programs financed \$14,458,136 of the cost. (Statement of Activities, Charges For Services column).
- The federal and state governments subsidized certain programs with grants of \$1,227,049. (Statement of Activities and Changes in Net Position, Operating Grants column).

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

- Most of the District’s net costs of \$59,396,299 were financed by District taxpayers and state sources. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column).

**4. FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

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

As of June 30, 2021, the District’s combined governmental funds reported a total fund balance of \$31,199,797 which is an increase of \$10,248,514 from the prior year. This increase is primarily due to increased real property tax revenues and cost savings in most categories of expenditures.

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

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)
<b>General Fund</b>			
Nonspendable	\$ 16,667	16,667	-
Restricted for workers’ compensation	574,861	573,493	1,368
Restricted for unemployment insurance	55,716	55,675	41
Restricted for retirement contribution	4,485,410	3,930,679	554,731
Restricted for liability claims	16,694	16,682	12
Restricted for property loss	38,970	38,941	29
Restricted for employee benefit accrued liability	7,117,368	6,339,350	778,018
Restricted for capital	7,265,949	4,505,863	2,760,086
Assigned - designated for subsequent - year’s expenditures	300,000	400,000	(100,000)
Assigned for general support	86,521	41,790	44,731
Assigned for instruction	45,194	7,665	37,529
Unassigned	<u>3,569,955</u>	<u>3,387,236</u>	<u>182,719</u>
Total Fund Balance - General Fund	<u>23,573,305</u>	<u>19,314,041</u>	<u>4,259,264</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

	Fiscal Year 2021	Fiscal Year 2020*	Increase/ (Decrease)
<b>School Lunch Fund</b>			
Nonspendable	\$ 5,631	11,509	(5,878)
Assigned	35,642	-	35,642
Unassigned	<u>-</u>	<u>(4,269)</u>	<u>4,269</u>
Total Fund Balance - School Lunch Fund	\$ <u>41,273</u>	<u>7,240</u>	<u>34,033</u>
<b>Debt Service Fund</b>			
Restricted	\$ <u>203,909</u>	<u>177,182</u>	<u>26,727</u>
<b>Capital Projects Fund</b>			
Restricted	\$ <u>6,998,811</u>	<u>1,041,689</u>	<u>5,957,122</u>
<b>Miscellaneous Fund</b>			
Restricted	\$ <u>382,499</u>	<u>411,131</u>	<u>(28,632)</u>
Total Fund Balance - All Funds	\$ <u>31,199,797</u>	<u>20,951,283</u>	<u>10,248,514</u>

\* Restated for change in accounting principle.

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

**A. General Fund**

The net change in the general fund - fund balance is an increase of \$4,259,264. This was primarily due to a controlled effort of District management to closely monitor expenditures. In addition there were transfers to the debt service fund of \$5,149,206, the special aid fund of \$4,681, the school lunch fund of \$24,500, and capital projects fund of \$858,949.

**B. School Lunch Fund**

The net change in the school lunch fund - fund balance is an increase of \$34,033. This resulted from revenues in excess of expenditures by \$9,533 supplemented by a transfer of funds from the general fund in the amount of \$24,500.

**C. Debt Service Fund**

The net change in debt service fund - fund balance is an increase of \$26,727. This resulted from transfers from the general fund of \$5,149,206 and bond premium of \$20,358, offset by expenditures of \$5,143,838.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**D. Capital Projects Fund**

The net change in capital projects fund - fund balance is an increase of \$5,957,122. This increase is due to the capital outlay of \$3,801,827 offset by the transfer from the general fund of \$858,949 and the proceeds from the issuance of debt of \$8,900,000.

**E. Miscellaneous Fund**

The net change in miscellaneous fund - fund balance was a decrease of \$28,632. This decrease was due to less fundraising activities due to COVID-19.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2020-2021 Budget**

The District’s general fund adopted budget for the year ended June 30, 2021 was \$71,979,573. This amount was increased by encumbrances carried forward from the prior year in the amount of \$49,455 which resulted in a final budget of \$72,029,028. The majority of the funding was from real property taxes, PILOTS and STAR revenue which was budgeted in the amount of \$53,429,697.

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

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

Opening, unassigned fund balance	\$ 3,387,236
Revenues over budget	237,886
Expenditures and encumbrances under budget	4,339,118
Changes in restricted funds	(4,094,285)
Appropriated for 2021 - 2022 budget	<u>(300,000)</u>
Closing, unassigned fund balance	\$ <u>3,569,955</u>

NYS Real Property Tax Law 1318 restricts the unassigned fund balance of the General Fund to an amount not greater than 4% of the District’s budget for the ensuing fiscal year. The District’s current balance of unassigned fund balance is 4.75%.

The revenues over budget of \$237,886 were primarily due to COVID-19 related grants.

The expenditures and encumbrances under budget of \$4,339,118 were primarily in instruction, employee benefits and pupil transportation.

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

The District paid for equipment and various building additions and renovations during the fiscal year 2021. A summary of the District’s capital assets net of depreciation are as follows:

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

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)
Land	\$ 2,686,720	2,686,720	-
Construction in progress	4,056,849	2,015,788	2,041,061
Buildings and building improvements	113,619,286	113,619,286	-
Furniture and equipment	5,403,064	4,859,955	543,109
Vehicles	3,312,319	3,125,301	187,018
Land improvements	<u>1,674,420</u>	<u>1,083,882</u>	<u>590,538</u>
Subtotal	130,752,658	127,390,932	3,361,726
Less accumulated depreciation	<u>(45,873,972)</u>	<u>(43,136,446)</u>	<u>(2,737,526)</u>
Total net capital assets	\$ <u>84,878,686</u>	<u>84,254,486</u>	<u>624,200</u>

**B. Long-Term Debt**

At June 30, 2021, the District had total bonds payable of \$45,996,391. More detailed information about the District’s long-term debt is presented in the notes to the financial statements.

**7. FACTORS BEARING ON THE DISTRICT’S FUTURE**

The general fund budget for the 2021-2022 school year was approved by the voters in the amount of \$75,157,245. This is an increase of \$3,177,672 or 4.4% over the previous year’s adopted budget. The increase was primarily due to increases in mandated employee benefits and services as well as general increases in the budget.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

East Hampton Union Free School District  
Mr. Keith J. Rugen  
Assistant Superintendent for Business  
4 Long Lane  
East Hampton, New York 11937  
(631) 329-4105

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 5,866,812
Restricted	27,055,741
Investments	527,837
Receivables	
Accounts receivable	61,703
State and federal aid	1,245,608
Due from other governments	1,870,063
Prepaid	16,667
Inventories	5,631
Capital assets, net of depreciation	<u>84,878,686</u>
<b>TOTAL ASSETS</b>	<u>121,528,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding of debt	663,407
Pensions	20,461,593
OPEB	<u>4,557,214</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>25,682,214</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,232,126
Accrued liabilities	4,780
Due to other governments	291,449
Due to teachers' retirement system	2,893,660
Due to employees' retirement system	318,101
Interest payable	201,928
Long-term liabilities	
Due and payable within one year	
Bonds payable	4,100,000
Energy performance contract	222,357
Compensated absences payable	432,631
Due and payable after one year	
Bonds payable	41,896,391
Energy performance contract	4,273,990
Compensated absences payable	7,117,368
Total OPEB liability	119,865,004
Claims payable	459,531
Net pension liabilities - proportionate shares	<u>4,525,311</u>
<b>TOTAL LIABILITIES</b>	<u>187,834,627</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	8,639,056
OPEB	7,435,394
Unearned income	<u>277,518</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>16,351,968</u>
<b>NET POSITION</b>	
Net investment in capital assets	42,040,396
Restricted for:	
Worker's compensation	574,861
Unemployment insurance	55,716
Retirement contributions	4,485,410
Liability claims	16,694
Property loss	38,970
Employee benefits and accrued liability	7,117,368
Capital	14,264,760
Debt service	203,909
Scholarships	218,712
Extraclassroom activities	163,787
Unrestricted (deficit)	<u>(126,156,216)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (56,975,633)</u>



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
<b>FUNCTIONS / PROGRAMS</b>		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
General support	\$11,065,553	-	-	(11,065,553)
Instruction	56,268,205	14,330,445	700,866	(41,236,894)
Pupil transportation	2,834,682	-	-	(2,834,682)
Community services	41,687	-	-	(41,687)
Debt service - interest	1,376,535	-	-	(1,376,535)
School lunch program	680,707	127,691	526,183	(26,833)
Depreciation (unallocated)	<u>2,814,115</u>	<u>-</u>	<u>-</u>	<u>(2,814,115)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$75,081,484</u>	<u>14,458,136</u>	<u>1,227,049</u>	<u>(59,396,299)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				52,973,456
Other tax items - including STAR reimbursement				579,840
Use of money and property				23,335
Compensation for loss				77,458
Miscellaneous				638,266
State sources				<u>3,127,706</u>
<b>TOTAL GENERAL REVENUES</b>				<u>57,420,061</u>
<b>CHANGE IN NET POSITION</b>				<u>(1,976,238)</u>
<b>NET POSITION (DEFICIT) AT BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>				(55,410,526)
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 18)</b>				<u>411,131</u>
<b>NET POSITION (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED</b>				<u>(54,999,395)</u>
<b>NET POSITION (DEFICIT) AT END OF YEAR</b>				<u>\$(56,975,633)</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash							
Unrestricted	\$ 5,809,530	24,933	32,349	-	-	-	5,866,812
Restricted	19,554,968	-	-	203,909	6,991,041	305,823	27,055,741
Investments	449,388	-	-	-	-	78,449	527,837
Receivables							
Accounts receivable	58,601	-	1,762	-	-	1,340	61,703
State and federal aid	705,669	366,143	173,796	-	-	-	1,245,608
Due from other governments	1,870,063	-	-	-	-	-	1,870,063
Due from other funds	448,051	-	-	-	44,437	-	492,488
Prepaid	16,667	-	-	-	-	-	16,667
Inventories	-	-	5,631	-	-	-	5,631
<b>TOTAL ASSETS</b>	<u>\$28,912,937</u>	<u>391,076</u>	<u>213,538</u>	<u>203,909</u>	<u>7,035,478</u>	<u>385,612</u>	<u>37,142,550</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Payables							
Accounts payable	1,120,388	9,369	65,702	-	36,667	-	1,232,126
Accrued liabilities	-	-	1,667	-	-	3,113	4,780
Due to other governments	280,717	10,732	-	-	-	-	291,449
Due to other funds	44,437	363,487	84,564	-	-	-	492,488
Due to teachers' retirement system	2,893,660	-	-	-	-	-	2,893,660
Due to employees' retirement system	318,101	-	-	-	-	-	318,101
Compensated absences payable	432,631	-	-	-	-	-	432,631
<b>TOTAL LIABILITIES</b>	<u>5,089,934</u>	<u>383,588</u>	<u>151,933</u>	<u>-</u>	<u>36,667</u>	<u>3,113</u>	<u>5,665,235</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned income	249,698	7,488	20,332	-	-	-	277,518
<b>FUND BALANCE</b>							
Nonspendable	16,667	-	5,631	-	-	-	22,298
Restricted	19,554,968	-	-	203,909	6,998,811	382,499	27,140,187
Assigned	431,715	-	35,642	-	-	-	467,357
Unassigned	3,569,955	-	-	-	-	-	3,569,955
<b>TOTAL FUND BALANCE</b>	<u>23,573,305</u>	<u>-</u>	<u>41,273</u>	<u>203,909</u>	<u>6,998,811</u>	<u>382,499</u>	<u>31,199,797</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$28,912,937</u>	<u>391,076</u>	<u>213,538</u>	<u>203,909</u>	<u>7,035,478</u>	<u>385,612</u>	<u>37,142,550</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total governmental fund balances \$ 31,199,797

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The statement of net position includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$130,752,658	
Less accumulated depreciation	<u>(45,873,972)</u>	84,878,686

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:

Bonds and energy performance contract payable	(50,492,738)	
Accrued interest on bonds payable	(201,928)	
Claims payable	(459,531)	
Total OPEB liability	(119,865,004)	
Compensated absences payable	<u>(7,117,368)</u>	(178,136,569)

Some deferred inflows and outflows are not reported in the governmental funds. These consist of:

Deferred outflows of resources - pensions	20,461,593	
Deferred inflows of resources - pensions	(8,639,056)	
Deferred outflows of resources - loss on refunding	663,407	
Deferred outflows of resources - OPEB	4,557,214	
Deferred inflows of resources - OPEB	<u>(7,435,394)</u>	9,607,764

Net pension liabilities - proportionate shares are not current financial resources or obligations and therefore are not reported in the governmental funds:

Net pension liability - proportionate share - TRS	(4,504,171)	
Net pension liability - proportionate share - ERS	<u>(21,140)</u>	

Net position (deficit) of governmental activities \$ (56,975,633)

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous</u>	<u>Governmental Funds</u>
<b>REVENUES</b>							
Real property taxes	\$ 52,973,456	-	-	-	-	-	52,973,456
Real property tax items	579,840	-	-	-	-	-	579,840
Charges for services	14,330,445	-	-	-	-	-	14,330,445
Use of money and property	22,146	-	2	1,001	-	186	23,335
Compensation for loss	77,458	-	-	-	-	-	77,458
Miscellaneous	438,575	-	-	-	-	199,691	638,266
State sources	3,247,736	67,271	18,011	-	-	-	3,333,018
Federal sources	147,803	485,792	451,189	-	-	-	1,084,784
Surplus food	-	-	56,983	-	-	-	56,983
Food service sales	-	-	127,691	-	-	-	127,691
<b>TOTAL REVENUES</b>	<u>71,817,459</u>	<u>553,063</u>	<u>653,876</u>	<u>1,001</u>	<u>-</u>	<u>199,877</u>	<u>73,225,276</u>
<b>EXPENDITURES</b>							
General support	7,155,992	-	-	-	-	132,326	7,288,318
Instruction	35,085,465	502,744	-	-	-	96,183	35,684,392
Pupil transportation	2,142,686	-	-	-	-	-	2,142,686
Community services	41,687	-	-	-	-	-	41,687
Employee benefits	16,922,592	55,000	4,600	-	-	-	16,982,192
Debt service - principal	-	-	-	3,644,086	-	-	3,644,086
Debt service - interest	172,437	-	-	1,499,752	-	-	1,672,189
Cost of food service sales	-	-	639,743	-	-	-	639,743
Capital outlay	-	-	-	-	3,801,827	-	3,801,827
<b>TOTAL EXPENDITURES</b>	<u>61,520,859</u>	<u>557,744</u>	<u>644,343</u>	<u>5,143,838</u>	<u>3,801,827</u>	<u>228,509</u>	<u>71,897,120</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>10,296,600</u>	<u>(4,681)</u>	<u>9,533</u>	<u>(5,142,837)</u>	<u>(3,801,827)</u>	<u>(28,632)</u>	<u>1,328,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from Long Term Debt	-	-	-	-	8,900,000	-	8,900,000
Bond premium	-	-	-	20,358	-	-	20,358
Operating transfers in	-	4,681	24,500	5,149,206	858,949	-	6,037,336
Operating transfers (out)	<u>(6,037,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,037,336)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(6,037,336)</u>	<u>4,681</u>	<u>24,500</u>	<u>5,169,564</u>	<u>9,758,949</u>	<u>-</u>	<u>8,920,358</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>4,259,264</u>	<u>-</u>	<u>34,033</u>	<u>26,727</u>	<u>5,957,122</u>	<u>(28,632)</u>	<u>10,248,514</u>
<b>FUND BALANCE AT BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	19,314,041	-	7,240	177,182	1,041,689	-	20,540,152
<b>CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (NOTE 18)</b>	-	-	-	-	-	411,131	411,131
<b>FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED</b>	<u>19,314,041</u>	<u>-</u>	<u>7,240</u>	<u>177,182</u>	<u>1,041,689</u>	<u>411,131</u>	<u>20,951,283</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 23,573,305</u>	<u>-</u>	<u>41,273</u>	<u>203,909</u>	<u>6,998,811</u>	<u>382,499</u>	<u>31,199,797</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Net change in funds balances - total governmental funds \$10,248,514

Amounts reported for governmental activities in the statement of activities are difference because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated and recognized over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:

Capital outlays, net of disposals	\$3,438,315	
Depreciation expense	<u>(2,814,115)</u>	624,200

Amounts that were withheld at the end of 2020 and deferred in the governmental funds. This amount was recognized as revenue in 2020 in the statement of activities. This was recognized in the governmental funds in 2021. (120,030)

Repayment of bond and installment purchase debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds and energy performance contract	3,644,086	
Proceeds from issuance of debt	(8,900,000)	
Amortization of bond premium net	441,677	
Deferred charges on refunding of debt	<u>(84,545)</u>	(4,898,782)

Some items in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:

Compensated absences payable	(881,894)
Claims payable	(26,725)
Accrued interest on bonds payable	(81,836)
Total OPEB liability	(5,647,888)
Deferred outflows of resources - pensions	2,583,824
Deferred inflows of resources - pensions	(2,576,194)
Deferred outflows of resources - OPEB	140,722
Deferred inflows of resources - OPEB	1,675,652

Changes in proportionate share of net pension liabilities reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

Employees' retirement system	5,764,883
Teachers' retirement system	<u>(8,780,684)</u>

Changes in net position of governmental activities \$ (1,976,238)

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

	<b><u>Private Purpose Trust Fund</u></b>	<b><u>Custodial Funds</u></b>
<b>ADDITIONS</b> - real property taxes	\$ -	<u>1,422,379</u>
<b>DEDUCTIONS</b> - payments to library	<u>-</u>	<u>1,422,379</u>
<b>NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	80,970	-
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 18)</b>	<u>(80,970)</u>	<u>-</u>
<b>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</b>	<u>-</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ -</u>	<u>-</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

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

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

**(A) Reporting entity:**

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

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 80, Blending Requirements for Certain Component Units - and Amendment of GASB Statement No. 14. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**(i) Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The District exercises general administrative oversight of these funds with student management of the financial transactions. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in the Miscellaneous Fund.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**(B) Joint venture:**

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

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

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

**(C) Basis of presentation:**

The financial statements of the District have been prepared in accordance with GAAP as applied to governmental units. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

**(i) District-Wide Financial Statements:**

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

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



**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**(ii) Fund Financial Statements:**

During the year ended June 30, 2021, the District adopted the provisions of GASB Statement No. 84 - "Fiduciary Activities." The primary objective of this Statement is to improve guidance regarding the indemnification of fiduciary activities for accounting and financial reporting purposes. See note 18 of the financial statements for the impact of the implementation on the financial statements.

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

Governmental Funds: are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental funds:

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

Special Revenue Funds: These funds account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There are three types of special revenue funds:

Miscellaneous Fund: This fund accounts for the extraclassroom activity funds, scholarships and various deposits in which the district has administrative control over.

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

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

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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

Custodial Funds: This fund is used to collect and remit taxes to the East Hampton Public Library.

Private Purpose Trust Fund: is used to account for trust arrangements where the District itself is not a beneficiary, and the assets are dedicated to providing benefits to recipients in accordance with the benefit terms and are legally protected from creditors of the District.

**(D) Measurement focus and basis of accounting:**

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

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

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

**(E) Property taxes:**

(i) Calendar

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of East Hampton during the period December 1, 2020 to June 1, 2021.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

(ii) Enforcement

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

(F) **Restricted resources:**

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

(G) **Interfund transactions:**

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

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

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

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

(H) **Estimates:**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**(I) Fair value measurement:**

Generally accepted accounting principles provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical asset or liabilities that the component units have the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of financial instruments classified as current assets or liabilities, including cash, investments, accounts receivable, and accounts payable and accrued expenses approximate carrying value, principally because of the short maturity of those items. Bonds payable are carried at cost, which approximates the fair value based on current rates at which the District could borrow funds with similar maturities.

**(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 the date of acquisition.

**(K) Accounts receivable:**

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

**(L) Inventories:**

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

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

**(M) Capital assets:**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and building improvements	\$15,000	Straight-line	50 years
Furniture and equipment	\$5,000	Straight-line	5-15 years
Land improvements	\$15,000	Straight-line	20 years
Vehicles	\$5,000	Straight-line	10 years

**(N) Deferred outflows and inflows of resources:**

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is deferred charges on refunding of debt which are amortized over the life of the outstanding bonds. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and differences during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems (TRS and ERS Systems) not included in pension expense. Also included are the District contributions to the pension systems subsequent to the measurement date. The third item is related to OPEB and represents changes in the total OPEB liability not included in OPEB expense.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and differences during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB and represents changes in the total OPEB liability not included in OPEB expense. The third is reported as unearned revenue.

**(O) Vested employee benefits:**

Compensated absences:

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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

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

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

**(P) Other benefits:**

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

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

**(Q) 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. RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue Bond Anticipation Notes (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.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**(R) Accrued liabilities and long-term obligations:**

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

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

**(S) Equity Classifications:**

**(i) District-Wide Statements:**

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

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

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

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

**(ii) Funds statements:**

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

Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance consists of a prepaid expenditure related to a security deposit for the bus garage lease of \$16,667 in the General Fund and inventory recorded in the School Lunch Fund of \$5,631.

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

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

Capital

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

Property Loss and Liability Claims

Property loss and liability claims reserve (Education Laws 1709(8-c) and 1950(4)(cc)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000 whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund.

Retirement Contributions

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Under this classification, the District can restrict amounts for State and Local Retirement Contributions and for Teachers' Retirement System Contributions. The reserve is accounted for in the General Fund.



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

Workers' Compensation

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

Employee Benefit Accrued Liability

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

Debt Service

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

Scholarships

Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the Miscellaneous Fund.

Extraclassroom Activities

Reserve for extraclassroom activities is used to account for funds received from students for outside programs and is accounted for in the Miscellaneous Fund.

Restricted fund balance includes the following:

General Fund:

Workers' compensation	\$ 574,861
Unemployment insurance	55,716
Retirement contributions	4,485,410
Liability claims	16,694
Property loss	38,970
Employee benefit accrued liability	7,117,368
Capital	<u>7,265,949</u>
Total General Fund	19,554,968

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

Debt Service Fund	\$ 203,909
Capital Projects Fund	6,998,811
Miscellaneous Fund	<u>382,499</u>
Total restricted fund balance	\$ <u>27,140,187</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. The District has no committed fund balances at June 30, 2021.

Assigned - Includes amounts that are constrained by the District to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance and amounted to \$131,715. Additionally, the District assigned \$300,000 of General Fund fund balance to reduce the tax levy for the ensuing fiscal year budget.

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

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

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

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

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

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

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

(i) Long-term revenue differences:

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

(ii) Capital related differences:

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

(iii) Long-term debt transaction differences:

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

(iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenue, Expenditures and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**(A) Budgets:**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
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planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No budget revisions occurred during the fiscal year.

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

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

**(B) Encumbrances:**

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

**NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**(A) Cash:**

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
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The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$7,117,368 for employee benefits, \$14,256,990 for capital improvements, \$16,694 for liability claims, \$4,485,410 for retirement contributions, \$203,909 for debt service, \$574,861 for workers' compensation, \$38,970 for property loss, \$55,716 for unemployment insurance within the governmental funds, \$87,112 for scholarships and \$218,711 for extraclassroom activities.

**(B) Investments:**

The District's investments consist of certificates of deposit in the amount of \$527,837, bearing interest rates of 0.40% - 1.60%. These are Level 1 investments. The District does not purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**NOTE 5 - PARTICIPATION IN BOCES:**

During the year, the District was billed \$2,235,096 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$308,342. Financial statements for the BOCES are available from the BOCES administrative office at the James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

**NOTE 6 - FEDERAL AND STATE RECEIVABLE:**

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

<u>General Fund</u>	
New York State aid, plus excess cost aid	\$ 397,327
BOCES aid	<u>308,342</u>
Total - General fund	<u>705,669</u>
<u>Special Aid Fund</u>	
New York State aid - summer handicapped	\$ 14,715
Federal aid	<u>351,428</u>
Total - Special Aid Fund	<u>366,143</u>
<u>School Lunch Fund</u>	
New York State aid	\$ 2,661
Federal aid	<u>171,135</u>
Total School Lunch	<u>173,796</u>
Total - All Funds	<u>\$ 1,245,608</u>

District management has deemed these amounts to be fully collectible.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 7 - DUE FROM OTHER GOVERNMENTS:**

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

Tuition billings	\$ <u>1,870,063</u>
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District management has deemed these amounts to be fully collectible.

**NOTE 8 - CAPITAL ASSETS:**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 2,686,720	-	-	2,686,720
Construction in progress	<u>2,015,788</u>	<u>2,041,061</u>	-	<u>4,056,849</u>
Total nondepreciable historical cost	<u>4,702,508</u>	<u>2,041,061</u>	-	<u>6,743,569</u>
Capital assets that are depreciated:				
Building and building improvements	113,619,286	-	-	113,619,286
Furniture and equipment	4,859,955	543,109	-	5,403,064
Vehicles	3,125,301	263,607	(76,589)	3,312,319
Land improvement	<u>1,083,882</u>	<u>590,538</u>	-	<u>1,674,420</u>
Total depreciable historical cost	<u>122,688,424</u>	<u>1,397,254</u>	<u>(76,589)</u>	<u>124,009,089</u>
Less accumulated depreciation:				
Building and building improvements	36,886,075	2,272,386	-	39,158,461
Furniture and equipment	3,452,868	290,837	-	3,743,705
Vehicles	2,177,341	151,773	(76,589)	2,252,525
Land improvement	<u>620,162</u>	<u>99,119</u>	-	<u>719,281</u>
Total accumulated depreciation	<u>43,136,446</u>	<u>2,814,115</u>	<u>(76,589)</u>	<u>45,873,972</u>
Total historical cost, net	\$ <u>84,254,486</u>	<u>624,200</u>	-	<u>84,878,686</u>
Depreciation expense (unallocated)				\$ <u>2,814,115</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 9 - INTERFUND TRANSACTIONS:**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 448,051	44,437	-	6,037,336
Special aid fund	-	363,487	4,681	-
School lunch fund	-	84,564	24,500	-
Debt service fund	-	-	5,149,206	-
Capital projects fund	<u>44,437</u>	<u>-</u>	<u>858,949</u>	<u>-</u>
Total	\$ <u>492,488</u>	<u>492,488</u>	<u>6,037,336</u>	<u>6,037,336</u>

The District typically makes transfers from the general fund to the capital projects fund, to finance capital projects. The District typically makes transfers from the general fund to the Special Aid Fund to fund the District's 20% share of summer school handicap expenses required by State Law. The District also transfers funds to the debt service fund for debt repayments.

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

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

**NOTE 10 - SHORT-TERM DEBT:**

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/25/21	1.50%	\$ <u>-</u>	<u>15,500,000</u>	<u>(15,500,000)</u>	<u>-</u>

Interest expense, net of premium amounting to \$139,965, on short-term debt for the year was \$32,473.

**Authorized and Unissued Debt**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 11 - LONG-TERM LIABILITIES:**

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

	<u>Beginning Balance</u>	<u>Issued/ Increases</u>	<u>Redeemed/ Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
General obligation debt:					
Bonds payable:					
Serial bonds	\$ 36,880,000	8,900,000	3,535,000	42,245,000	4,100,000
Unamortized bond premium	<u>4,193,068</u>	<u>20,358</u>	<u>462,035</u>	<u>3,751,391</u>	<u>-</u>
Total bonds payable	41,073,068	8,920,358	3,997,035	45,996,391	4,100,000
Energy performance contract	<u>4,605,433</u>	<u>-</u>	<u>109,086</u>	<u>4,496,347</u>	<u>222,357</u>
Total general obligation debt	<u>45,678,501</u>	<u>8,920,358</u>	<u>4,106,121</u>	<u>50,492,738</u>	<u>4,322,357</u>
Other liabilities:					
Compensated absences	6,235,474	881,894	-	7,117,368	-
Total OPEB liability	114,217,116	5,647,888	-	119,865,004	-
Claims payable	432,806	26,725	-	459,531	-
Net pension liability - ERS	5,786,023	-	5,764,883	21,140	-
Net pension liability - TRS	<u>-</u>	<u>4,504,171</u>	<u>-</u>	<u>4,504,171</u>	<u>-</u>
Total other liabilities	<u>126,671,419</u>	<u>11,060,678</u>	<u>5,764,883</u>	<u>131,967,214</u>	<u>-</u>
Total long-term liabilities	\$ <u>172,349,920</u>	<u>19,981,036</u>	<u>9,841,004</u>	<u>182,459,952</u>	<u>4,322,357</u>

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

Existing serial bond obligations are 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>
Serial Bond - 2021	2/3/21	2/1/41	1.25% - 1.60%	\$ 8,900,000
Serial Bond - 2017	12/28/17	6/1/30	2.45 - 5.00%	33,345,000
Unamortized bond premium				<u>3,751,391</u>
				<u>\$ 45,996,391</u>

The District issued a bond in the amount of \$8,900,000 on February 3, 2021 which mature on February 1, 2041. The bond has an interest rate from 1.25% - 1.60% and the District received a premium of \$20,358.



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,100,000	1,382,246	5,482,246
2023	4,280,000	1,192,717	5,472,717
2024	4,475,000	993,717	5,468,717
2025	4,685,000	785,154	5,470,154
2026	4,900,000	476,579	5,376,579
2027 - 2031	15,080,000	1,000,204	16,080,204
2032 - 3036	2,285,000	274,925	2,559,925
2037 - 2041	<u>2,440,000</u>	<u>113,310</u>	<u>2,553,310</u>
	\$ <u>42,245,000</u>	<u>6,218,852</u>	<u>48,463,852</u>

Existing energy performance contracts are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at Year End</u>
Energy Performance Contract	8/2/19	8/1/37	\$ <u>4,496,347</u>

The following is a summary of debt service requirements for energy performance contract:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 222,357	113,115	335,472
2023	228,057	107,415	335,472
2024	233,902	101,570	335,472
2025	239,898	95,574	335,472
2026	246,047	89,425	335,472
2027 - 2031	1,328,131	349,231	1,677,362
2032 - 2036	1,507,297	170,066	1,677,363
2037 - 2038	<u>490,658</u>	<u>12,551</u>	<u>503,209</u>
	\$ <u>4,496,347</u>	<u>1,038,947</u>	<u>5,535,294</u>

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

	<u>Total</u>
Interest paid, including installment debt	\$ 1,672,189
Less interest accrued in the prior year	(120,092)
Plus interest accrued in the current year	201,928
Bond premium amortization	(462,035)
Deferred loss amortization	<u>84,545</u>
	\$ <u>1,376,535</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
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On December 28, 2017, the District utilized \$1,097,300 and issued \$47,195,000 in refunding serial bonds to advance refund \$51,675,000 of outstanding serial bonds. The net proceeds of \$52,880,721 (including a net premium of \$4,519,325 and after payment of \$133,600 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. The outstanding principal balance of the defeased bonds is \$36,606,000 at June 30, 2021.

The gain on the refunded bonds have been deferred and included in the long-term portion of bonds payable on the District-Wide financial statements. The premiums are being amortized using the straight-line method, the remaining time to maturity of the bonds. The current year amortization is \$462,035 and is included as a reduction to interest expense.

Deferred premiums	\$ 4,791,452
Less accumulated amortization	<u>(1,040,061)</u>
Net unamortized premiums	<u>\$ 3,751,391</u>

The charges on the refunded bonds are recorded as deferred outflows of resources on the District-Wide financial statements. The charges are being amortized using the straight-line method, the remaining time to maturity of the bonds. The current year amortization is \$84,545 and is included as an increase to interest expense on the statement of activities.

Deferred charges	\$ 1,001,587
Less accumulated amortization	<u>(338,180)</u>
Net unamortized charges	<u>\$ 663,407</u>

In the event that the District were to default on bond principal or interest payments, a court has the power, in proper and appropriate proceedings brought by the bond owner, to render judgment against the District. A court has the power to order payment of such bonds or notes from funds available or to order the District to take all lawful action to obtain the funds, including the raising of the funds in the next annual tax levy. The bond owner may also file with the New York State Comptroller a verified statement alleging default in the payment of principal or interest. The New York State Comptroller will have a duty to investigate the circumstances of the alleged default and prepare determinations from their office. The New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the State Finance Law, to withhold state aid and assistance to the District and apply the amount thereof so withheld to the payment of the defaulted principal and interest.

The bonds are direct obligations of the District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the District.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 12 - PENSION PLANS:**

**(A) Plan Descriptions and Benefits Provided:**

**Teachers' Retirement System (TRS)**

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

**Employees' Retirement System (ERS)**

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**(B) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2021, the District reported the following liabilities for its proportionate share of the net pension liabilities for each of the Systems. The net pension liabilities was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation. The District's proportion of the net pension liabilities 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>
Measurement date	3/31/2021	6/30/2020
Actuarial valuation date	4/01/2020	6/30/2019
Net pension liabilities	\$ 21,140	4,504,171
District's proportion of the Plan's net pension liabilities	0.0212309%	0.163001%
Change in proportion since prior measurement date	(0.00061292)	(0.001606)

For the year ended June 30, 2021, the District's recognized pension expense of \$686,860 and \$6,116,745 in the Statement of Activities 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>
Difference between expected and actual experience	\$ 258,182	3,946,555	-	230,830
Changes of assumptions	3,887,047	5,696,728	73,311	2,030,586
Net difference between projected and actual earnings on pension plan investments	-	2,941,619	6,072,783	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	539,623	246,749	138,246	93,300
District's contributions subsequent to the measurement date	<u>318,101</u>	<u>2,626,989</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,002,953</u>	<u>15,458,640</u>	<u>6,284,340</u>	<u>2,354,716</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:

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
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<u>Year ending</u>	<u>ERS</u>	<u>TRS</u>
2022	\$ (195,523)	1,807,168
2023	(19,177)	3,594,535
2024	(253,390)	2,957,119
2025	(1,131,398)	1,802,269
2026	-	92,505
Thereafter	<u>-</u>	<u>223,339</u>
	\$ <u>(1,599,488)</u>	<u>10,476,935</u>

(C) **Actuarial Assumptions:**

The total pension liabilities 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.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Inflation	2.7%	2.2%
Salary increases	4.4%	1.90% - 4.72%
Investment rate of return (net of investment expense, including inflation)	5.9%	7.1%
Cost-of-living adjustments	1.4%	1.3%

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019, applied on a generational basis. Active member mortality rates based on Plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are included in the target asset allocation summarized in the following table.

Measurement date	<u>ERS</u>		<u>TRS</u>	
	March 31, 2021		June 30, 2020	
	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation
Asset class:				
Domestic equity	4.05%	32%	7.10%	33%
International equity	6.30%	15%	7.70%	16%
Real estate equity	4.95%	9%	6.80%	11%
Global equity	-	-	7.40%	4%
Domestic fixed income	-	-	1.80%	16%
Global bonds	-	-	1.00%	2%
High-yield bonds	-	-	3.90%	1%
Real estate debt	-	-	3.60%	7%
Private equity	6.75%	10%	10.40%	8%
Private debt	-	-	5.20%	1%
Real assets	5.95%	3%	-	-
Fixed income	-	23%	-	-
Opportunistic/ARS portfolio	4.50%	3%	-	-
Credit	3.63%	4%	-	-
Cash	0.50%	1%	0.70%	1%

\* Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.0% for ERS.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**(D) Discount Rate:**

The discount rate used to calculate the total pension liabilities was 5.9% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rates 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 those assumptions, the Systems' fiduciary net positions were 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 liabilities.

**(E) Sensitivity of the Proportionate Share of the Net Pension Liabilities to the Discount Rate Assumption:**

The following presents the District's proportionate share of the net pension liabilities 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 liabilities 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:

ERS	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ <u>(5,867,772)</u>	<u>(21,140)</u>	<u>5,370,822</u>
Employer's proportionate share of the net pension asset (liability)	\$ <u>(28,451,297)</u>	<u>(4,504,171)</u>	<u>15,593,536</u>

**(F) Pension Plan Fiduciary Net Position:**

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

	(Dollars in Millions)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2021	6/30/2020
Employers' total pension liabilities	\$ (220,680)	(123,243)
Fiduciary net position	<u>220,580</u>	<u>120,480</u>
Employers' net pension liabilities	\$ <u>(100)</u>	<u>(2,763)</u>
Ratio of fiduciary net position to the employers' total pension liabilities	99.95%	97.8%

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**(G) Payables to the Pension Plans:**

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$318,101. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflow of resources in the District-Wide financial statements.

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 intercept. 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 wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$2,626,989 of employer contributions and \$266,671 of employee contributions. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflows of resources in the District-Wide financial statements.

**NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**Summary of Principal Plan Provisions**

The District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees.

The District acquires health insurance through a consortium known as the New York State Insurance Program (NYSHIP). Benefits provided by NYSHIP are administered by Empire BlueCross BlueShield, United HealthCare, and MEDCO. The NYSHIP plan covers medical and pharmaceutical costs. The plan documents describe specifics and limitations of the coverage offered to retirees. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service.

**Participant Data:**

The July 1, 2019 actuarial valuation included the following participants:

Retirees and spouses	296
Actives	307
Beneficiaries	<u>9</u>
	<u>612</u>

**Total OPEB Liability:**

The District’s total OPEB liability of \$119,865,004 was determined by an actuarial valuation as of July 1, 2019, calculated based on the discount rate and actuarial assumptions below and was measured as of June 30, 2021. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 75.



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**Actuarial Assumptions and Other Inputs:**

Discount rate	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

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

Other Key Actuarial Assumptions:

The plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2019
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal
Salary increases including inflation	2.60%
Medical Trend Rate	6.60% to 4.10% over 56 years

**Changes in the Total OPEB Liability:**

Total OPEB liability as of June 30, 2020	\$ 114,217,116
Changes for the year:	
Service cost	4,921,439
Interest on total OPEB liability	2,601,309
Effect of assumptions changes or inputs	1,005,391
Benefit payments	<u>(2,880,251)</u>
Total changes	<u>5,647,888</u>
Total OPEB liability as of June 30, 2021	\$ <u>119,865,004</u>

**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	\$ <u>142,725,141</u>	<u>119,865,004</u>	<u>101,822,086</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs 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 a rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Trend</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability	\$ <u>97,689,131</u>	<u>119,865,004</u>	<u>149,310,478</u>

**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 \$6,711,765. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 3,704,155	(234,800)
Changes of assumptions	<u>853,059</u>	<u>(7,200,594)</u>
Total	\$ <u>4,557,214</u>	<u>(7,435,394)</u>

Amounts reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year ending</u>	
2022	\$ (810,983)
2023	(810,983)
2024	(810,983)
2025	(810,983)
2026	206,421
Thereafter	<u>159,331</u>
Total	\$ <u>(2,878,180)</u>

**NOTE 14 - RISK MANAGEMENT:**

**General:**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**Consortium and Self Insured Plans:**

The District participates in the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool (Plan) was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. At June 30, 2021, the EEWCC had an independent audit of its financial statements performed. A separate statement prepared as part of the audit provided details of the fund balance for each participating district. As of June 30, 2021, the statements showed the District had an allocated cash balance of \$6,730, losses incurred not paid of \$176,207 and incurred but not reported claims of \$276,594. The Districts' total liability is \$459,531. The District has a cash balance of \$574,861 in the Workers' Compensation Reserve.

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

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

Unpaid claims at beginning of fiscal year	\$ 432,806
Incurred claims and claim adjustment expenses	161,652
Claims payments	<u>(134,927)</u>
Unpaid claims at year end	\$ <u>459,531</u>

**NOTE 15 - COMMITMENTS AND CONTINGENCIES:**

**(A) Grants:**

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

**(B) Operating Leases:**

The following is a summary of obligations of government activities under operating lease payments. These operating leases include copiers and office equipment. Rental expense for the fiscal year was approximately \$159,933 including additional overage fees. The following is a summary of the obligations due in the subsequent year for the lease agreement:

Fiscal Year Ending <u>June 30,</u>	
2022	\$ 154,437
2023	154,437
2024	154,437
2025	<u>154,437</u>
	\$ <u>617,748</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

(C) **Litigation:**

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

**NOTE 16 - SUBSEQUENT EVENTS:**

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

The District issued a TAN on October 6, 2021 in the amount of \$15 million with an interest rate of 1.5% which matures on June 24, 2022.

**NOTE 17 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED:**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**NOTE 18 - CUMULATIVE EFFECT OF ACCOUNTING PRINCIPLE**

For the year ended June 30, 2021, the District implemented GASB Statement No. 84 - "Fiduciary Activities." The implementation of this Statement resulted in reporting certain activities as governmental activities. The District's governmental fund balance and net position in the governmental and fiduciary activities at June 30, 2020 has been restated as follows:

**Governmental Funds:**

Fund balance at beginning of year, as previously stated	\$ 20,540,152
GASB Statement No. 84 implementation	<u>411,131</u>
Fund balance at beginning of year, as restated	\$ <u>20,951,283</u>

**Governmental Activities:**

Net position (deficit) at beginning of year, as previously stated	\$ (55,410,526)
GASB Statement No. 84 implementation	<u>411,131</u>
Net position (deficit) at beginning of year, as restated	\$ ( <u>54,999,395</u> )

**Fiduciary Activities:**

Net position at beginning of year, as previously stated	\$ 80,970
GASB Statement No. 84 implementation	<u>(80,970)</u>
Net position at beginning of year, as restated	\$ <u>          -</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2021**

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual (Budgetary Basis)</u></b>	<b><u>Final Budget Variance with Budgetary Actual</u></b>
<b>REVENUE</b>				
Local Sources:				
Real Property Taxes	\$ 52,964,285	52,973,456	52,973,456	-
Other Real Property Tax Items (Star, Pilot, int on RE Tax)	465,412	456,241	579,840	123,599
Charges for Services	14,984,690	14,984,690	14,330,445	(654,245)
Use of Money & Property	150,600	150,600	22,146	(128,454)
Compensation for loss	-	-	77,458	77,458
Miscellaneous	139,800	139,800	438,575	298,775
State Sources:				
Basic Formula	1,176,679	1,176,679	1,454,399	277,720
Excess Cost Aid	1,246,492	1,246,492	1,230,573	(15,919)
Lottery Aid	92,390	92,390	109,267	16,877
BOCES Aid	239,550	239,550	308,342	68,792
Textbook Aid	81,100	81,100	59,426	(21,674)
Computer Software Aid	27,925	27,925	27,084	(841)
Library A/V Loan Program Aid	10,650	10,650	9,738	(912)
Other State Aid	-	-	48,907	48,907
Federal Sources:				
CARES ACT ESSERF	-	-	126,381	126,381
CARES ACT GEER	-	-	21,422	21,422
<b>TOTAL REVENUE</b>	<b>71,579,573</b>	<b>71,579,573</b>	<b><u>71,817,459</u></b>	<b><u>237,886</u></b>
Appropriated Fund Balance	400,000	400,000		
Assigned prior year encumbrances	-	<u>49,455</u>		
<b>TOTAL REVENUE, APPROPRIATED FUND BALANCE &amp; ASSIGNED PRIOR YEAR ENCUMBRANCES</b>	<b><u>\$ 71,979,573</u></b>	<b><u>72,029,028</u></b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
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>
<b>EXPENDITURES</b>					
General Support:					
Board of Education	\$ 99,979	101,979	74,855	-	27,124
Central Administration	469,716	485,396	483,027	-	2,369
Finance	763,074	766,864	703,033	-	63,831
Staff	335,212	368,870	332,478	-	36,392
Central Services	5,103,020	5,432,559	4,803,260	86,521	542,778
Special Items	778,052	769,303	759,339	-	9,964
Instruction:					
Instruction, Adm. & Imp.	3,349,246	3,381,745	3,184,610	193	196,942
Teaching - Regular School Programs for Children with Handicapping Conditions	19,312,856	18,858,333	18,264,912	4,637	588,784
Occupational Education	7,564,987	7,362,734	6,795,755	-	566,979
Teaching Special Schools	550,000	706,197	706,197	-	-
Instructional Media	330,182	319,386	152,602	8,331	158,453
Pupil Services	2,016,146	1,879,233	1,803,521	-	75,712
Pupil Transportation	4,591,840	4,907,981	4,177,868	32,033	698,080
Community Services	2,364,773	2,371,616	2,142,686	-	228,930
Employee Benefits	78,800	78,800	41,687	-	37,113
Debt Service - Interest	17,898,535	17,869,909	16,922,592	-	947,317
	<u>325,000</u>	<u>319,968</u>	<u>172,437</u>	<u>-</u>	<u>147,531</u>
<b>TOTAL EXPENDITURES</b>	65,931,418	65,980,873	61,520,859	131,715	4,328,299
<b>OTHER FINANCING USES</b>					
Transfers to Other Funds	<u>6,048,155</u>	<u>6,048,155</u>	<u>6,037,336</u>	<u>-</u>	<u>10,819</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 71,979,573</u>	<u>72,029,028</u>	<u>67,558,195</u>	<u>131,715</u>	<u>4,339,118</u>
Net change in fund balance			4,259,264		
Fund balance - beginning			<u>19,314,041</u>		
Fund balance - ending			<u>\$ 23,573,305</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.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability (Dollar Amount in Thousands)</b>				
Service cost	\$ 4,921	4,523	4,719	4,581
Interest on total OPEB liability	2,601	3,826	3,392	3,234
Effect of demographic gains or losses	-	5,129	-	(434)
Effect of assumptions changes or inputs	1,006	(2,683)	(9,022)	-
Benefit payments	<u>(2,880)</u>	<u>(2,727)</u>	<u>(2,573)</u>	<u>(1,930)</u>
Net change in total OPEB liability	5,648	8,068	(3,484)	5,451
Total OPEB liability - beginning	<u>114,217</u>	<u>106,149</u>	<u>109,633</u>	<u>104,182</u>
<b>Total OPEB liability - ending</b>	<u>\$ 119,865</u>	<u>114,217</u>	<u>106,149</u>	<u>109,633</u>
<b>Covered payroll</b>	\$ 28,789	28,789	32,988	32,988
<b>Total OPEB liability as a percentage of covered payroll</b>	416.36%	396.74%	321.78%	332.34%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	2.16%	2.21%	3.50%	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten year trend is compiled, the District is presenting information for those years for which information is available.



**EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION ASSET/LIABILITY  
YEAR ENDED JUNE 30, 2021**

<u>TRS System - Asset (Liability)</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension asset	0.163001%	0.164607%	0.164851%	0.163300%	0.168213%	0.167969%	0.165972%
The District's proportionate share of the net pension asset (liability)	\$ (4,504,171)	4,276,513	2,980,935	1,241,241	(1,801,628)	17,466,623	18,488,295
The District's covered payroll	\$27,565,467	27,662,032	27,475,662	26,852,329	25,877,642	25,956,913	25,231,219
The District's proportionate share of the net pension asset as a percentage of covered payroll	-16.34%	15.46%	10.85%	4.62%	6.96%	67.29%	73.28%
Plan fiduciary net position as a percentage of the total pension asset	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%
 <u>ERS System - Liability</u>							
The District's proportion of the net pension liability	0.0212309%	0.0218501%	0.0229288%	0.0248658%	0.0238155%	0.0249884%	0.0257646%
The District's proportionate share of the net pension liability	\$ (21,140)	(5,786,023)	(1,624,579)	(802,531)	(2,237,754)	(4,010,700)	(870,932)
The District's covered payroll	\$ 7,902,629	7,784,479	7,899,523	5,005,207	7,439,437	7,344,831	7,692,886
The District's proportionate share of the net pension liability as a percentage of covered payroll	-0.27%	74.33%	20.57%	16.03%	30.08%	54.61%	11.32%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten year trend is compiled, the District is presenting information for those years for which information is available.

**EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2021**

<u>TRS System</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,626,989	2,450,856	2,917,915	2,662,317	3,032,859	3,441,887	4,421,839	3,983,890	2,881,376	2,330,757
Contribution in relation to the contractually required contribution	<u>2,626,989</u>	<u>2,450,856</u>	<u>2,917,915</u>	<u>2,662,317</u>	<u>3,032,859</u>	<u>3,441,887</u>	<u>4,421,839</u>	<u>3,983,890</u>	<u>2,881,376</u>	<u>2,330,757</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	<u>\$27,565,467</u>	<u>27,662,032</u>	<u>27,475,662</u>	<u>26,852,329</u>	<u>25,877,642</u>	<u>25,956,913</u>	<u>25,231,219</u>	<u>24,516,246</u>	<u>24,335,946</u>	<u>20,978,911</u>
Contribution as a percentage of covered payroll	9.53%	8.86%	10.62%	9.91%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%
 <u>ERS System</u>										
Contractually required contribution	\$ 832,197	1,123,450	1,143,814	1,194,875	1,143,814	1,234,813	1,388,948	1,447,634	1,477,371	1,275,836
Contribution in relation to the contractually required contribution	<u>832,197</u>	<u>1,123,450</u>	<u>1,143,814</u>	<u>1,194,875</u>	<u>1,143,814</u>	<u>1,234,813</u>	<u>1,388,948</u>	<u>1,447,634</u>	<u>1,477,371</u>	<u>1,275,836</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	<u>\$ 7,902,629</u>	<u>7,784,479</u>	<u>7,899,523</u>	<u>5,005,207</u>	<u>7,439,437</u>	<u>7,344,831</u>	<u>7,692,886</u>	<u>7,599,129</u>	<u>7,397,952</u>	<u>7,311,381</u>
Contribution as a percentage of covered payroll	16.63%	15.10%	14.93%	23.87%	15.38%	16.81%	18.05%	19.05%	19.97%	17.45%

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT  
YEAR ENDED JUNE 30, 2021**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$71,979,573
Add: Prior year's encumbrances	<u>49,455</u>
Original Budget	72,029,028
Budget Revisions	<u>-</u>
Final Budget	<u>\$72,029,028</u>
Next year's voter approved budget	<u>\$75,157,245</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2021-22 Voter-approved expenditure budget	\$75,157,245
Maximum allowed ( 4% of 2021-22 budget)	<u>\$ 3,006,290</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Law:	
Unrestricted Fund balance:	
Assigned fund balance	\$ 431,715
Unassigned fund balance	<u>3,569,955</u>
Total unrestricted fund balance	4,001,670
Less:	
Appropriated fund balance	300,000
Encumbrances	<u>131,715</u>
Total adjustments	<u>431,715</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 3,569,955</u>
Actual percentage	<u>4.75%</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
JUNE 30, 2021**

<u>Project Title</u>	<u>Project #</u>	<u>Expenditures</u>					<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance June 30, 2021</u>	
		<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>		<u>Total</u>
2014-2015 Security Elementary	0004-018	\$ 444,850	1,111,366	733,604	36,060	769,664	341,702	-	-	1,116,118	1,116,118	346,454
2014-2015 Security High School	0006-027	502,250	1,356,714	707,367	67,243	774,610	582,104	-	-	1,120,876	1,120,876	346,266
2014-2015 Security Middle School	0003-021	487,900	787,209	559,696	16,541	576,237	210,972	-	-	757,988	757,988	181,751
Middle School Kitchen	0003-025	825,027	1,207,324	940,623	9,619	950,242	257,082	-	-	950,242	950,242	-
Middle School Auditorium	0003-100	131,725	131,725	-	131,725	131,725	-	-	-	131,725	131,725	-
Turk Field Replacement HS 20-21	0004-500	588,138	590,538	-	590,538	590,538	-	-	-	590,538	590,538	-
JV Softball Field	0004-600	139,086	139,086	-	-	-	139,086	-	-	139,086	139,086	139,086
HS Cooking lab	2000-2100	-	-	-	1,195,024	1,195,024	(1,195,024)	-	-	-	-	(1,195,024)
DW Bus Barn & Arch Fees	04-5	100,000	150,000	60,950	75,609	136,559	13,441	150,000	-	-	150,000	13,441
Land Purchase for Depot	0003-028	2,300,000	2,310,570	2,310,570	-	2,310,570	-	2,300,000	-	10,570	2,310,570	-
Bus Depot for Incidental Costs	0003-027	250,000	450,000	135,500	-	135,500	314,500	450,000	-	-	450,000	314,500
High School Kitchen Construction	0003-026	100,000	100,000	43,200	43,028	86,228	13,772	-	-	100,000	100,000	13,772
Transportation Depot	0034-210	6,000,000	6,000,000	-	475,831	475,831	5,524,169	6,000,000	-	196,950	6,196,950	5,721,119
Energy Performance Contract	0200-628	4,656,865	4,656,865	2,378,810	1,160,609	3,539,419	1,117,446	4,656,865	-	-	4,656,865	1,117,446
<b>TOTAL</b>		<u>\$ 16,525,841</u>	<u>18,991,397</u>	<u>7,870,320</u>	<u>3,801,827</u>	<u>11,672,147</u>	<u>7,319,250</u>	<u>13,556,865</u>	<u>-</u>	<u>5,114,093</u>	<u>18,670,958</u>	<u>6,998,811</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
AS OF JUNE 30, 2021**

<b>Capital assets, net</b>		\$ 84,878,686
<b>Deduct:</b>		
Short-term portion of bonds payable	\$ 4,100,000	
Long-term portion of bonds payable	38,145,000	
Short-term portion of energy performance contract	222,357	
Long-term portion of energy performance contract	4,273,990	
Unamortized Bond Premium	<u>3,751,391</u>	(50,492,738)
<b>Add:</b>		
Deferred loss on refunding	663,407	
Unspent long-term obligation proceeds	<u>6,991,041</u>	<u>7,654,448</u>
<b>Investment in capital assets, net of related debt</b>		<u>\$42,040,396</u>

EAST HAMPTON UNION FREE  
SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2021

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Hampton Union Free School District (the 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 October 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2021-001.

#### The District's Response to the Finding

The District's response to the finding identified in the audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 5, 2021



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

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

Report on Compliance for the Major Federal Program

We have audited East Hampton Union Free School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

## Opinion on the Major Federal Program

In our opinion, East Hampton Union Free School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 5, 2021

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Passed through the NYS Education Department -				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 2,315	-
National School Lunch Program	10.555	N/A	34,509	-
Commodity Supplemental Food Program	10.555	N/A	56,983	-
Summer Food Service Program for Children	10.559	N/A	<u>414,365</u>	<u>-</u>
Total Child Nutrition Cluster			<u>508,172</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>508,172</u>	<u>-</u>
<u>U.S. Department of Education</u>				
Passed through the NYS Education Department:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	0032-21-0898	303,710	-
Special Education - Preschool Grants	84.173	0033-21-0898	<u>7,212</u>	<u>-</u>
Total Special Education Cluster (IDEA)			<u>310,922</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	0021-21-3020	73,863	-
Title I Grants to Local Educational Agencies	84.010	0021-20-3020	17,134	-
Improving Teacher Quality State Grants	84.367	0147-21-3020	627	-
English Language Acquisition State Grants - Title III LEP	84.365	0293-21-3020	45,281	-
English Language Acquisition State Grants - Title III LEP	84.365	0293-20-3020	4,480	-
English Language Acquisition State Grants - Title III Immigrant	84.365	0149-21-3020	19,791	-
English Language Acquisition State Grants - Title III Immigrant	84.365	0149-20-3020	13,694	-
COVID-19 Education Stabilization Fund:				
Governor's Emergency Education Relief Fund	84.425C	5895-21-0005	21,422	-
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-0005	<u>126,381</u>	<u>-</u>
Total COVID-19 Education Stabilization Fund			<u>147,803</u>	<u>-</u>
Total U.S. Department of Education			<u>633,595</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,141,767</u>	<u>-</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

(1) BASIS OF PRESENTATION:

The accompanying schedule of expenditure of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the fiscal year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

(3) INDIRECT COSTS:

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

(4) SUBRECIPIENTS:

No amounts were provided to subrecipients.

(5) OTHER DISCLOSURES:

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- |  |                                  |
|--|----------------------------------|
| Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: | Unmodified                       |
| Internal control over financial reporting:   |                                  |
| 1. Material weakness(es) identified?   | ___ Yes <u> x </u> No            |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)?                                    | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted?   | <u> x </u> Yes ___ No            |

Federal Awards:

- |   |                                  |
|---|----------------------------------|
| Internal control over major programs:   |                                  |
| 4. Material weakness(es) identified?  | ___ Yes <u> x </u> No            |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)?   | ___ Yes <u> x </u> None reported |
| Type of auditors' report issued on compliance for major programs:   |                                  |
|   | Unmodified                       |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)(Uniform Guidance)? | ___ Yes <u> x </u> No            |
| 7. The District's major program audited was:  | Assistance Listing               |
| <u>Name of Federal Program</u>  | <u>Number</u>                    |
| Child Nutrition Cluster   | 10.553/10.555/10.559             |
| 8. Dollar threshold used to distinguish between Type A and Type B programs.   | \$750,000                        |
| 9. Auditee qualified as low-risk auditee?   | <u> x </u> Yes ___ No            |

Part II - FINANCIAL STATEMENT FINDINGS

See 2021-001 on page 71.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No reportable findings and questioned costs.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

Reference: 2021-001

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

Condition - The District's unrestricted fund balance at June 30, 2021 after excluding amounts assigned for the subsequent year end encumbrances, was in excess of the New York State Real Property Tax Law §1318 limit. For the fiscal year ended June 30, 2021, this portion of the District's unrestricted fund balance is \$3,569,955, which is 4.75% of the 2021-22 voter approved General Fund budget.

Cause - The District has not appropriated unassigned fund balance when needed to be in compliance with NYS Real Property Tax Law §1318.

Effect - The District is not in compliance with NYS Real Property Tax Law §1318.

Recommendation - We recommend that the District develop a plan to rationally appropriate unassigned fund balance so as to be in compliance with NYS Real Property Tax Law §1318.

Management Response - See Corrective Action Plan on page 73

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2021**

Reference: 2020-001

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

Status - This finding is repeated in 2021 as finding 2021-001.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2021**

Name of Auditee: East Hampton Union Free School District

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: Year Ended June 30, 2021

CAP Prepared by: Keith J. Rugen, Assistant Superintendent for Business  
East Hampton Union Free School District

Telephone: (631) 329-4105

(A) Current Finding on the Schedule of Findings and Questioned Costs and Recommendations

(1) Finding 2021-001

(a) Comments on the finding and recommendation:

The East Hampton UFSD Board of Education elected to keep the fund balance at 4.75% due to three factors:

- (1) The uncertainty of unexpected expenditures related to the COVID-19 crisis and its duration. With the District having students in full onsite attendance, the District may hire additional staff to oversee the protocols for this pandemic and to follow all guidance of the major Governmental and NYS Health Officials. The District's top priority is to keep all students, faculty, staff, visitors, and all other stakeholders safe and healthy.
- (2) Due to undeterminable population shifts and the transient nature of District residents, the tuition revenues may fluctuate and are uncertain.
- (3) The District is monitoring NYS Aid which fluctuates from year to year. These fluctuations could potentially impact future revenues.

(b) Action taken:

Management will closely monitor fund balance throughout the following fiscal year and during the budget planning process.



**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

September , 2022

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

Ladies and Gentlemen:

We have acted as Bond Counsel to East Hampton Union Free School District (the “School District”), in the County of Suffolk, a school district of the State of New York, in connection with the authorization, sale and issuance of the [\$6,000,000 Tax Anticipation Note for 2022-2023 Taxes Series A] [\$10,000,000 Tax Anticipation Note for 2022-2023 Taxes Series B][ (the “Note”), dated and delivered on the date hereof.

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

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

Concurrently with the issuance of the Note, the School District is issuing its [\$6,000,000 Tax Anticipation Note for 2022-2023 Taxes Series A (the “Series A Note”)] [\$10,000,000 Tax Anticipation Note for 2022-2023 Taxes Series B (the “Series B Note”)]. The Note is treated, together with the [Series A Note] [Series B Note], as a single issue for federal tax purposes. We have served as Bond Counsel with respect to the issuance of the [Series A Note] [Series B Note], and, on the date hereof, we have rendered our opinion with respect to the exclusion of interest on the [Series A Note] [Series B Note], from gross income for federal income tax purposes in substantially the form of paragraph 2 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Note and the [Series A Note] [Series B Note] to become subject to federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

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, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of 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 East Hampton Union Free School District, in the County of Suffolk, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 22, 2022.

“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 [\$6,000,000 Tax Anticipation Notes for 2022-2023 Taxes Series A], dated September 22, 2022, maturing on February 27, 2022 and [\$10,000,000 Tax Anticipation Notes for 2022-2023 Taxes Series B], dated September 22, 2022, maturing on June 27, 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 **September 22, 2022**.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**

By \_\_\_\_\_  
President of the Board of Education