

## **OFFICIAL STATEMENT**

**NEW ISSUE  
TAX ANTICIPATION NOTES**

**RATINGS: See "Ratings" herein**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the 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 imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed upon such corporations. 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 Notes WILL NOT be designated by the District as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

### **SOUTHAMPTON UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK**

**\$11,000,000**  
**1.50% TAX ANTICIPATION NOTES FOR 2011-2012 TAXES**  
*(Reoffered @ 0.28%)*  
**(the "Notes")**

**Date of Issue: September 8, 2011**

**Maturity Date: June 21, 2012**

The Notes are general obligations of the Southampton 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, without limitation as to rate or amount.

The Notes will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Notes. Payment of the principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein. See "Book-Entry-Only System" under "THE NOTES," herein. The Notes will not be subject to redemption prior to maturity.

Hawkins Delafield & Wood LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Financial Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes in book-entry form through the offices of DTC in New York, New York, will be made on the Date of Issue as reflected above.

Dated: August 30, 2011

**TD SECURITIES (USA) LLC**

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

**2011-12 BOARD OF EDUCATION**

**David M. Dubin, Esq.  
President**

Donald J. King..... Vice President  
Nicholas Palumbo..... Trustee  
Heather McCallion. .... Trustee  
Amy Pierson. .... Trustee  
Roberta O. Hunter, Esq ..... Trustee  
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Dr. J. Richard Boyes..... Superintendent of Schools  
Maria H. Smith ..... Assistant Superintendent for Business  
Patricia J. McGovern ..... District Treasurer  
Mary Pontieri..... District Clerk

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**BOND COUNSEL**

HAWKINS DELAFIELD & WOOD LLP  
New York, New York

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**FINANCIAL ADVISOR**

CAPITAL MARKETS ADVISORS, LLC  
Great Neck and New York, New York  
(516) 472-7049

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 shall there be 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 hereon.

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## **OFFICIAL STATEMENT**

### **SOUTHAMPTON UNION FREE SCHOOL DISTRICT SUFFOLK COUNTY, NEW YORK**

#### **Relating To**

**\$11,000,000**

#### **TAX ANTICIPATION NOTES FOR 2011-2012 TAXES (the "Notes")**

This Official Statement, including the cover page and appendices hereto, presents certain information relating to the Southampton Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$11,000,000 Tax Anticipation Notes for 2011-2012 Taxes (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

## **THE NOTES**

### ***Description***

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

At the option of the purchaser, the Notes will be issued in bearer form or as registered notes. If the Notes are issued in registered form, the Notes will be registered to the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes issued in bearer form or registered to the purchaser, a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

For those Notes issued as book-entry only notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their interest in the Notes. Individual purchases of such registered Notes may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in lawful money of the United States of America (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. See "Book-Entry-Only System" herein.

### ***Authority for and Purpose of the 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 2011-2012 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 were or are to be levied, as

specified in the 2011-2012 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 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 2011-2012 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.

### ***Nature of Obligation***

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 the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District without limitation as to rate or amount.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. On June 24, 2011, the Governor signed into law Chapter 97 of the Laws of 2011, imposing a limitation upon the District's power to increase its annual tax levy. Chapter 97 of the Laws of 2011 provides an express exception from the limitation for those taxes to be levied to pay debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or notes. Chapter 97 of the Laws of 2011 will affect school district tax levies for the school district fiscal year beginning July 1, 2012 and does not affect the tax levy or the budget of a school district for the 2011-2012 fiscal year. See "*Limitation on Tax Levy – The New Tax levy Limit Law,*" *herein*.

### ***Book-Entry-Only System***

If the Notes are registered to Cede & Co., DTC will act as securities depository for the Notes. 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 which bears the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's 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"). On August 8, 2011, Standard & Poor's downgraded DTC from a rating of 'AAA' to 'AA+'. 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).

Redemption proceeds, distributions, and dividend 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

Source: The Depository Trust Company

## **MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE**

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

On August 5, 2011, Standard & Poor's Corporation downgraded the credit rating of the United States from 'AAA' to 'AA+' and assigned a negative outlook. On August 2, 2011, Moody's Investor's Service, Inc. affirmed the United States underlying credit rating of 'Aaa' and assigned a negative outlook. The downgrade of the Federal government's credit rating by Standard & Poor's Corporation may have an impact on the market price of the Notes.

The District is dependent, 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 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 "Recent Events Affecting New York School Districts".

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 cut 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.

The enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, which imposes a tax levy limitation upon municipalities, school districts, including the District, and fire district in the State could have an impact upon the market price for the Notes. See "*Limitation on Tax Levy – The New Tax Levy Limit Law*," herein.

### **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 attorney for the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

### **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 imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed upon such corporations. The Arbitrage and Use of Proceeds 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 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 to the District expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or on the exemption from state and local tax law of interest on the Notes.

### ***Certain Ongoing Federal Tax Requirements and Covenants***

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such Obligations 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 means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the 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 Note having OID (a “Discount Obligation”), OID that has accrued and is properly allocable to the owners of the Discount Obligation 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 Obligation 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 Obligation. An owner's adjusted basis in a Discount Obligation is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Obligation. 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 Obligation even though there will not be a corresponding cash payment.

Owners of Discount Obligations 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 Obligations.

### ***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 Obligation"). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the note premium over the remaining term of the Premium Obligation, based on the owner's yield over the remaining term of the Premium Obligation, determined based on constant yield principles (in certain cases involving a Premium Obligation 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 Premium Obligation). An owner of a Premium Obligation 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 Obligation, 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 Obligation may realize a taxable gain upon disposition of the Premium Obligation 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 Obligations 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 Obligations.

### ***Information Reporting and Backup Withholding***

Information reporting requirements apply to interest 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 Tax-Exempt Obligation 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, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law and could affect the market price or marketability of the Notes. There can be no assurance that any such legislation, actions or

decisions, if ever enacted, taken or rendered following the issuance of the Notes, will not have an adverse effect on the tax-exempt status, market price or marketability of the Notes.

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

## **DOCUMENTS ACCOMPANYING DELIVERY OF NOTES**

### ***Absence of Litigation***

Upon delivery of the Notes, the District shall furnish a certificate of the School Attorney, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect and enforce the collection of taxes or other revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

### ***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 to the District. Such opinion will be available at the time of delivery of the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and unless paid from other sources, all the taxable real property within the District is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon without limitation of rate or amount. Said opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement relating to the Notes, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which have been or may have furnished or disclosed to purchasers of the Notes, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

### ***Closing Certificates***

Upon the delivery of the Notes, the Purchasers will be furnished with the following items: (i) a Certificate of the President of the Board of Education and the Assistant Superintendent for Business to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Notes; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the District evidencing payment for the Notes; and (iii) a Signature Certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded, and (iv) an Arbitrage and Use of Certificate executed by the President of the Board of Education, as described under "Tax Matters" herein.

## **DISCLOSURE UNDERTAKING**

This Official Statement is in a form “deemed final” by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the District will provide an executed copy of its “Undertaking to Provide Notices of Events” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, 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, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer; [note to clause (xii): For the purposes of the event identified in clause (xii) 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]; (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Notes.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

The District is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12.

## **FINANCIAL ADVISOR**

Capital Markets Advisors, LLC has acted as Financial Advisor to the District in connection with the sale of the Notes.

In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Notes.

## **RATING**

The District did not apply to Moody's Investors Service, Inc. ("Moody's") for a rating on the Notes.

The District's underlying credit rating by Moody's is "Aaa".

With respect to the Moody's rating applicable to uninsured debt, such rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency, at the following address: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of such bonds or the availability of a secondary market for those bonds.

## **ADDITIONAL INFORMATION**

Periodic public reports relating to the financial condition of the District, its operations and the balances, receipts and disbursements of the various funds of the District are available for the public inspection at the business office of the District.

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

Additional information may be obtained from the District's Assistant Superintendent for Business, Ms. Maria H. Smith, (631) 591-4527, or from the District's Financial Advisor, Capital Markets Advisors, LLC, One Great Neck Road, Suite 1, Great Neck, New York, 11021, (516) 472-7049.

This Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://www.capmark.org). 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. Capital Markets Advisors, LLC 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 Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC 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. Capital Markets Advisors, LLC and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT, NEW YORK

By: /s/ Mr. David M. Dubin, Esq.  
President of the Board of Education

DATED: August 30, 2011

## **APPENDIX A**

### **THE DISTRICT**

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## **THE DISTRICT**

### ***General Information***

The Southampton Union Free School District (the “District”) was established by Board resolution on September 25, 1890. The District is located on the east end of Long Island in the Town of Southampton in Suffolk County, New York, approximately 90 miles east of New York City. The District has a population currently estimated at 11,690 and a land area of approximately 52 square miles. The District includes the Incorporated Village of Southampton and the unincorporated hamlet of Water Mill.

Southampton is an old, established village whose residents work primarily throughout Suffolk County. The main commercial activity in the District is summer tourism. The Atlantic Ocean, the bays and the harbors remain the Town's prime attractions, providing swimming, boating and fishing for summer visitors and year-round residents alike. Due to its proximity to the New York City Metropolitan area as well as its fine beaches on the Atlantic Ocean, the District is a vacation destination for residents of New York City, Westchester, New Jersey and Connecticut. Recreational facilities include Town parks as well as other municipal parks, golf courses, and recreational facilities located throughout Suffolk County.

### ***Culture and Recreation***

With its numerous ocean and bay beaches, the Town is a major recreational area for residents of New York, New Jersey and Connecticut. Chartered and party fishing fleets sail daily from nearby Montauk affording both in-shore and deep-sea fishing for both food and sport. Sightseers may visit the Parrish Art Museum, the Southampton Historical Society Museum and the Shinnecock Nation Museum. There is also a wide variety of inns, motels, and housekeeping apartments and wide selection of restaurants located within the Town.

### ***Educational, Cultural and Medical Institutions***

Colleges and universities in the area include St. Joseph’s College, Dowling College, St. John’s University, Oakdale Campus and Suffolk Community College.

There are numerous public libraries located throughout the Town, which sponsor various programs of general interest to adults and children throughout the year. The Fieldhouse at Stony Brook Southampton offers programs featuring well-known musical groups, off-Broadway revivals and programs of classical and popular music.

Hospital services are provided by numerous area hospitals including Southampton Hospital and Central Suffolk Hospital.

### ***Financial Institutions***

Financial institutions located in the Town include Suffolk County National Bank, Bank of America, Bridgehampton National Bank, Capital One, Hamptons State Bank and J.P.Morgan Chase Bank, N.A..

### ***Transportation***

Public transportation in the District is available via the Long Island Railroad which has several stops in the Town and two bus lines, the Hampton Jitney and the Montauk Express. There is an excellent interior network of roads, including the Montauk Highway, Sunrise Highway and the Long Island Expressway. In addition, the East Hampton Airport, located just east of the Town in East Hampton provides air service to area residents. A wide range of aircraft types ranging from small single engine trainers to corporate jets use the airport. Out of town corporate aircraft frequent the airport with passengers for the convention and seminar facilities in the area, as well as, business and recreational uses. No major commercial service is available at the East Hampton facility; however, such service is available at MacArthur Airport approximately 40 miles west of the District in the Town of Islip.

## ***Utilities and Services***

Water is made available to District residents from the Suffolk County Water Authority, while electric and gas services are available to District residents from the Long Island Power Authority (“LIPA”). The Southampton Fire Department provides District residents with fire protection, while the Suffolk County Police Department, the Town of Southampton Police and the Village of Southampton Police provide police protection.

## ***District Organization***

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education (the “Board”). Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board. Board members are generally elected for a term of three years.

In early July of each year, the Board meets for the purpose of reorganization. At that time, the Board elects a President and a Vice President, and appoints a District Clerk and District Treasurer.

## ***Financial Organization***

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools, Assistant Superintendent for Business and the District Treasurer.

## ***Budgetary Procedure***

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 for the 2012-2013 fiscal year will be subject to the provisions of Chapter 97 of the Laws of 2011, which imposes a limitation on the amount of real property taxes that a school district may levy in a given year. The budget of the District will continue to be, by law, submitted to voter referendum on the third Tuesday of May each year. On May 17, 2011, the voters approved the District’s proposed 2011-2012 budget. Summaries of the District’s Adopted Budgets for the fiscal years 2010-11 and 2011-12 may be found in Appendix B, herein.

## ***Financial Statements and Accounting Procedures***

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounting for School Districts. Such accounts are audited annually by independent auditors and are available for public inspection upon request.

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***School Enrollment Trends***

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

**TABLE 1**  
**Enrollment Trends**

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Actual</u> <u>Enrollment</u>
2007	1,653
2008	1,623
2009	1,635
2010	1,612
2011	1,647
2012 <sup>(1)</sup>	1,614

(1) Projected.

Source: Southampton Union Free School District, Office of the Assistant Superintendent for Business.

***District Facilities***

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

**TABLE 2**  
**District Facilities**

<u>Name of School</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year of</u> <u>Construction</u>
Southampton High School	9-12	750	1973
Southampton Intermediate School	5-8	450	1958
Southampton Elementary School	Pre-K-4	525	1930

Source: Southampton Union Free School District, Office of the Assistant Superintendent for Business.

***Employees***

The District provides services through approximately 413 full-time and part-time employees. The following table shows those employees represented by organized units of labor.

**TABLE 3**  
**Employees**

<u>No. of</u> <u>Employees</u>	<u>Organization</u>	<u>Contract</u> <u>Expiration Date</u>
235	Southampton Teachers Association	6/30/11
33	Southampton Clerical	6/30/11
82	Southampton Custodial/Bus Drivers	6/30/11
15	Southampton Administrators	6/30/12
2	Southampton Monitors	6/30/11
11	Southampton Cafeteria Workers	6/30/10 <sup>(1)</sup>
13	Southampton School Teacher Aide	6/30/11
14	Security Unit	6/30/10 <sup>(1)</sup>

(1) Currently under negotiation.

Source: Southampton Union Free School District, Office of the Assistant Superintendent for Business.

## ***Employee Pension Benefits***

Professional employees (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-professional 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 noncontributory 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 into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

With regard to the ERS, a pension reform bill has been signed by the Governor into Law as Chapter 49 of the Laws of 2003. Chapter 49 changes the cycle of billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the new system the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. Chapter 49 requires the District 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 contribution possible.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, then Governor Pataki signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. During its 2004 Session the New York State Legislature enacted further pension relief in the form of Chapter 260 of the Laws of 2004 (“Chapter 260”). Among other things, Chapter 260 changed the pension payment date for all local governments from December 15 to February 1.

Due to recent poor performance of the investment portfolio of the State Retirement System (“SRS”), New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the SRS in 2011 and subsequent years will increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits school district to amortize a portion of their ERS contributions. Under such new legislation, school districts that choose to amortize their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

## ***Other Post Employment Benefits***

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

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

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30

years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the District account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for the District.

The District is in compliance with the requirements of GASB 45. The District entered into a contract with Milliman, Inc. ("Milliman"), an actuary, to provide the services required under GASB 45. Milliman has determined that the District's actuarial accrued liability ("AAL") for OPEB as of July 1, 2008 was approximately \$30,347,300. For financial reporting purposes, the District has elected to amortize the AAL over 30 years. For the year ended June 30, 2009, the District's ARC as calculated by Milliman was \$2,722,300. The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both. 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.

### ***Investment Policy Permitted Investments***

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit monies 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 the subject to the limitations of Section 10 of the GML.

The District may also temporarily invest monies in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of 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; (5) certificates of participation issued in connection with installment purchase contracts entered into by political subdivision 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 instruments and 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 monies were provided and, in the case of instruments or investments 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 the custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

## **FINANCIAL FACTORS**

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. A Statement of Revenues and Expenditures for the five-year period ending June 30, 2010 is contained in Appendix B. As reflected in Appendix B, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

### ***Real Property Taxes***

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District. (See "Statement of Revenues, Expenditures and Changes in Fund Balance" in Appendix B, herein.)

Property taxes accounted for 80.3% of total general fund revenues for the fiscal year ended June 30, 2010, while State aid accounted for 3.6%. On June 24, 2011, the Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. See **“Limitation on Tax Levy – The New Tax Levy Limit Law,”** herein.

The following table sets forth total general fund revenues and real property tax revenues during the last five fiscal years, and the amounts budgeted for the two most recent fiscal years.

**TABLE 4**  
**Property Taxes**

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Total</u> <u>Revenues<sup>(1)</sup></u>	<u>Real Property</u> <u>Taxes<sup>(2)</sup></u>	<u>Real Property</u> <u>Taxes to</u> <u>Revenues</u>
2006	46,925,462	36,598,932	80.0
2007	48,773,245	38,549,106	79.0
2008	50,272,305	39,598,263	78.8
2009	54,872,651	43,374,373	79.0
2010	55,067,687	44,246,752	80.3
2011 (Adopted Budget)	57,271,014	45,868,560	80.0
2012 (Adopted Budget)	58,485,815	47,851,817	81.8

(1) General Fund.

(2) Inclusive of STAR aid, which is reflected in “Other Real Property Tax Items.” The real property taxes reflected in the District’s 2010 and 2011 adopted budgets is also inclusive of STAR aid. (See Appendix B).

Source: Audited Financial Statements and Adopted Budgets for the District. This summary is not audited.

### ***State Aid***

The District receives State aid for operating other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute.

The following table sets forth total general fund revenues and State aid revenues during the last five audited fiscal years, and the amounts budgeted for the two most recent fiscal years.

**TABLE 5**  
**State Aid**

<u>Fiscal Year</u> <u>Ended June 30:</u>	<u>Total</u> <u>Revenues<sup>(1)</sup></u>	<u>State</u> <u>Aid</u>	<u>State Aid</u> <u>to Revenues</u>
2006	46,925,462	2,084,059	4.4
2007	48,773,245	2,052,321	4.2
2008	50,272,305	2,547,055	5.1
2009	54,872,651	3,025,474	5.5
2010	55,067,687	1,967,499	3.6
2011 (Adopted Budget)	57,271,014	2,801,933	4.8
2012 (Adopted Budget)	58,485,815	2,489,998	4.3

(1) General Fund.

Source: Audited Financial Statements and Adopted Budgets for the District. This summary is not audited.

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”). The District has received timely STAR aid from the State during recent fiscal years.

## ***Recent Events Affecting New York School Districts***

State aid to school districts in the State has declined in recent years. The total reduction in State aid for the State's fiscal year ending March 31, 2011 was approximately \$2.1 billion; however, this amount was partially offset by \$726,000,000 in Federal aid for education, including funding from American Reinvestment and Recovery Act of 2009 and other federal initiatives. As a result, the net State aid reduction for the State's 2010-2011 totaled approximately \$1.4 billion.

During the District's fiscal year ended June 30, 2010, the District's receipt of State aid was delayed as a result of several initiatives adopted by the Governor in response to the State's ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

The State Legislature adopted the State budget on April 1, 2011. The budget includes State aid of \$19.6 billion for the 2011-12 school year which reflects a reduction of \$1.3 billion or 6.1 percent from 2010-11 State budget. The total reduction in State aid for the District's 2011-2012 fiscal year is estimated to total approximately \$311,935, which is approximately 0.53% of its current 2011-2012 Adopted Budget.

The District cannot predict at this time whether there will be any further reductions in and/or delays in the receipt of State aid during the current year. The District believes that it will mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "Market Factors Affecting Financing of the State and School Districts of the State" herein).

## ***Other Revenues***

Appendix B sets forth the General Fund operations for the last five fiscal years which are derived from the District's Audited General Purpose Financial Statements on file in the Superintendent's office.

## **TAX INFORMATION**

### ***Real Property Tax Assessments and Rates***

The following table sets forth the assessed and full valuation of taxable real property, the District's real property tax levy and rates of tax per \$1,000 assessed valuation.

	<u>2007<sup>(1)</sup></u>	<u>2008</u>	<u>2009<sup>(1)</sup></u>	<u>2010<sup>(1)</sup></u>	<u>2011</u>
Assessed Valuation	\$17,031,573,074	\$17,575,956,310	\$18,668,862,502	\$19,589,744,045	\$ 20,618,525,948
State Equalization Rate	100.00%	89.70%	100.00%	100.00%	100.00%
Full Valuation	17,031,573,074	19,594,154,191	18,668,862,502	19,589,744,045	20,618,525,948
Tax Levy <sup>(2)</sup>	41,457,669	42,620,181	46,583,131	48,093,681	49,265,691
Tax Rate <sup>(3)</sup>	\$ 2.43	\$ 2.42	\$ 2.50	\$ 2.46	\$ 2.39

(1) The Town of Southampton reassessed its real property to 100% of full value in 2007, 2009, 2010 and 2011.

(2) Includes Library Tax.

(3) Per \$1,000 of Full Value.

Source: New York State Office of Real Property Services.

### ***Limitation on Tax Levy – The New Tax Levy Limit Law***

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law" or "Law") was signed by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real

property taxes that a school district may levy. The Law will affect school district tax levies for the school district fiscal year beginning July 1, 2012. It does *not* affect the tax levy or the budget of a school district for the 2011-2012 fiscal year nor does it apply to the Notes, which are expected to be paid prior to the effective date of the new Law for school districts.

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").

The Tax Levy Limit Law imposes 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, 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.

The Law sets forth several exceptions to the tax levy limit for school districts. These include taxes to pay 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. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law provides an express exception from the limitation for those taxes to be levied to pay debt service on bonds or notes issued to finance voter approved capital expenditures or the refinancing or refunding of such bonds or notes. However, such exception would not apply to taxes to be levied commencing in the 2012-2013 fiscal year of a school district to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari payments.

### ***Tax Limit***

The Constitution does not limit the amount that may be raised by the District-wide tax levy on real estate in any fiscal year. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the amount of real property taxes that a school district may levy. See "***Limitation on Tax Levy – The New Tax Levy Limit Law,***" herein.

### ***Tax Collection Procedure***

In the County, property taxes for the school districts, together with town and county 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 payable and 10% after May 31.

The school districts receive their full levies before the end of their fiscal years. Uncollected amounts are not segregated by town tax receiver, and any deficiency in tax collection is the County's liability.

### ***STAR - School Tax Exemption***

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Based on information furnished to the District, a portion of the District's 2010-11 school tax levy was exempt by the STAR Program. In September, 2010, the District received information that there would be a 1.1% reduction in STAR payments due to New York school districts (including the District) in the 2010-11 fiscal year. This amounts to a \$4,147.00 reduction in STAR Aid to the District.



## *Ten of the Largest Taxpayers*

The following table presents the assessed value of ten of the District's largest taxpayers for the 2010-2011 fiscal year.

**TABLE 7**  
**Taxable Assessments**

<u>Taxpayer Name</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>% of Assessed Valuation(1)</u>
Leon D. Black	Resident	\$ 64,905,300	0.31%
Keyspan Energy	Utility	60,228,785	0.29
Payton Lane Nursing Home, Inc	Nursing Home	54,948,800	0.27
Villa Maria LLC	Real Estate	49,981,500	0.24
Yumi & The Kids, LLC	Commercial	49,884,200	0.24
Cheryl G. Krongard	Resident	48,278,000	0.23
Hamptons Real Property LLC	Real Estate	45,662,400	0.22
Sillerman Residential Properties, LP	Real Estate	43,914,300	0.21
Permelynn of Bridgehampton Inc	Real Estate	42,804,911	0.21
175 Mohawk Avenue	Apartments	<u>41,816,911</u>	<u>0.20</u>
	Total:	<u>\$502,425,107</u>	<u>2.42%</u>

(1) The total assessed value of the District is \$20,618,525,948 for the 2010-2011 fiscal year.

Source: Town of Southampton, Office of Assessor.

## **DISTRICT INDEBTEDNESS**

### ***Constitutional and Statutory Requirements***

The New York State Constitution limits the power of the District (and other municipalities and school districts of the State) to issue obligations and to otherwise 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 within three fiscal year periods, 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; 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.

***Debt Limit.*** Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of 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 ration is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

**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, as has been noted under "Nature of Obligation", 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, Chapter 97 of the Laws of 2011, imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. **See "Limitation on Tax Levy – The New Tax Levy Limit Law," herein.**

### ***Statutory Procedure***

In general, the State Legislature has, by enactment of the Local Finance Law, authorized the power and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional and 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 principal 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 District purpose authorized by the Legislature of the State of New York provided the aggregate amount thereof shall not exceed ten per centum of the full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation consists of 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 ration is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined by such authority.

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## ***Statutory Debt Limit and Net Indebtedness***

The debt limit as of August 22, 2011 for the District is \$2,061,852,595. This is calculated by taking 10% of the current full value of the District. As shown below, the District has no outstanding debt.

**TABLE 8**  
**Statutory Debt Limit and Net Indebtedness**

Full valuation of taxable real property		\$20,618,525,948
Debt limit (10% of full valuation)		2,061,852,594
Outstanding Indebtedness <sup>(1)</sup> (Principal Only):		
Bonds	50,180,000	
Bond Anticipation Notes	0	
Gross Indebtedness		50,180,000
Less exclusion for estimated building aid	<u>0</u>	
Total Net indebtedness		<u>50,180,000</u>
Net Debt Contracting Margin		<u>\$ 2,011,672,594</u>
Percentage of Debt Contracting Power Exhausted		<u>2.43%</u>

(1) Tax anticipation and revenue anticipation notes are not included in the computation of the statutory debt limit of the District. The District's outstanding lease obligations and installment debt obligations are not included above. See "Lease Obligations" and "Installment Debt" herein.

## ***Remedies Upon Default***

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.

Under current law, provision is made for contract creditors (including the Noteholders) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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 servicing the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Noteholders remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

No principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of the principal of and interest on any indebtedness.

***Bond Anticipation Notes***

The District currently has no bond anticipation notes outstanding.

***Tax Anticipation Notes***

In common with other school districts in the State, the District finds it necessary to borrow in anticipation of the receipt of its tax levy. In the past, the District has paid all notes on their due date. The following is a history of the District's tax anticipation note borrowing during recent fiscal years.

**TABLE 9**  
**Borrowing History**

<u>Fiscal Year</u> <u>Ending June 30:</u>	<u>Amount</u>	<u>Dated</u>	<u>Due</u>
2007	\$11,000,000	7/27/06	6/27/07
2008	11,000,000	9/17/07	6/27/08
2009	13,000,000	8/28/08	6/26/09
2010	11,000,000	8/12/09	6/23/10
2011	9,500,000	9/01/10	6/23/11

Source: Audited Financial Statements of the District and Southampton Union Free School District, Office of the Assistant Superintendent for Business. This summary is not audited.

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### ***Trend of Capital Indebtedness***

The following table provides information relating to direct capital indebtedness outstanding at year-end for the last five fiscal years.

**TABLE 10**  
**Direct Capital Indebtedness Outstanding**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>(1)</sup></u>
Bonds	\$ 0	\$ 25,000,000	\$ 24,835,000	\$ 51,618,736	\$ 50,180,000
Bond Anticipation Notes	<u>0</u>	<u>5,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 30,000,000</u>	<u>\$ 24,835,000</u>	<u>\$ 51,618,736</u>	<u>\$ 50,180,000</u>

(1) Unaudited.

Source: District's Audited Financial Statements and Southampton Union Free School District, Office of the Assistant Superintendent for Business. This summary is not audited.

### ***Authorized but Unissued Indebtedness***

The District currently has no authorized but unissued debt.

### ***Overlapping and Underlying Indebtedness***

In addition to the District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The real property taxpayers of the District are responsible for a proportionate share of outstanding debt obligations of these subdivisions. Such taxpayer's share of overlapping and underlying debt is based on the amount of the District equalized property value taken as a percentage of each separate unit's total values. The following table presents the amount of overlapping and underlying debt and the District's estimated share of this debt, authorized but unissued debt has not been included.

**TABLE 11**  
**Statement of Direct and Overlapping Indebtedness**

	<u>Net Debt</u> <u>Outstanding</u>	<u>As of</u>	<u>District Share</u>	<u>Amount</u>
Suffolk County	\$1,233,970,049	05/04/11	4.27%	\$ 52,690,521
Southampton Town	133,533,740	04/05/11	29.28	39,098,679
Village of Southampton	8,790,000	05/31/10	100.00	8,790,000
Southampton Fire District	0	12/31/10	100.00	0
North Sea Fire District	0	12/31/10	100.00	<u>0</u>
Total Net Overlapping Debt				100,579,200
Total Net Direct Debt				<u>50,180,000</u>
Total Net Direct and Overlapping Debts				<u>\$150,759,200</u>

Source: Data provided by County, Town and Village Officials.

***Debt Ratios***

The following table presents certain debt ratios relating to the District's indebtedness.

**TABLE 12**  
**Debt Ratio**

	<u>Amount</u>	<u>Debt Per Capita<sup>(1)</sup></u>	<u>Debt to Full Value<sup>(2)</sup></u>
Net Direct Debt	\$ 50,180,000	\$ 4,292.56	0.24%
Net Direct and Overlapping Debt	150,759,200	12,896.42	0.73

(1) The population of the District is estimated by District officials to be approximately 11,690.

(2) The District's full value of taxable real property for fiscal year 2010-2011 is \$20,618,525,948.

***Debt Service Schedule***

The following table shows the debt service requirements to maturity on the District's outstanding bonded indebtedness.

**TABLE 13**  
**Bond Principal and Interest Maturity Table**

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service<sup>(1)</sup></u>
2012	\$ 2,160,000	\$ 1,809,969	\$ 3,969,969
2013	2,215,000	1,741,944	3,956,944
2014	2,275,000	1,671,944	3,946,944
2015	2,345,000	1,599,768	3,944,768
2016	2,410,000	1,525,093	3,935,093
2017	2,490,000	1,441,694	3,931,694
2018	2,575,000	1,355,394	3,930,394
2019	2,665,000	1,265,994	3,930,994
2020	2,765,000	1,173,344	3,938,344
2021	2,865,000	1,077,093	3,942,093
2022	2,985,000	977,294	3,962,294
2023	3,095,000	871,325	3,966,325
2024	3,220,000	759,375	3,979,375
2025	3,340,000	640,794	3,980,794
2026	3,475,000	513,581	3,988,581
2027	3,615,000	381,175	3,996,175
2028	3,745,000	232,075	3,977,075
2029	<u>1,940,000</u>	<u>77,600</u>	<u>2,017,600</u>
Totals	<u>\$50,180,000</u>	<u>\$19,115,456</u>	<u>\$69,295,456</u>

(1) For the entire fiscal year.

Source: Audited Financial Statements of the District and Office of the Assistant Superintendent for Business. This summary is not audited.

## ECONOMIC AND DEMOGRAPHIC DATA

### *Largest Employers*

The following is a list of the major employers in the District and surrounding area.

**TABLE 14**  
**Major Employers**

<u>Employer</u>	<u>Nature of the Business</u>	<u>Number of Employees</u>
Southampton Hospital	Healthcare	900
Waldbaums Food Market	Retail	143
Town of Southampton	Municipal	500
Village of Southampton	Municipal	175

Source: Southampton Union Free School District, Office of the Assistant Superintendent for Business and a telephone survey conducted by the District.

### *Population*

The District has an estimated population of 11,690. The populations for the Town, County and State are listed below.

**TABLE 15**  
**Population Trend**

	<u>2000</u>	<u>2009</u>	<u>Percentage Change</u>
Town	55,216	61,527	11.4%
County	1,419,369	1,518,475	7.0
State	18,976,457	19,541,453	3.0

Source: New York State Department of Commerce; New York State Empire State Development Corporation; U.S. Census Bureau.

### *Income*

The following presents median family income for the Town, County and State. Data provided in the following table is not necessarily representative of the District.

**TABLE 16**  
**Median Family Income**

	<u>2000</u>	<u>2009</u>
Village	\$67,315	\$102,381
Town	66,261	91,332
County	72,112	96,206
State	51,691	67,040

Source: New York State Department of Commerce; Long Island Almanac.

## ***Employment and Unemployment***

Unemployment statistics are not available for the District. The information set forth below with respect to Town, County and New York is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Town, County and State is necessarily representative of the District. This information is not seasonally adjusted.

**TABLE 17**  
**Civilian Labor Force**  
**(Thousands)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Town	30,800	31,100	31,300	31,700	31,300
County	787,900	791,100	796,400	796,100	786,700
State	9,508,000	9,557,000	9,671,000	9,699,500	9,630,900

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

**TABLE 18**  
**Yearly Average Unemployment Rates**

<u>Year</u>	<u>Town</u>	<u>County</u>	<u>State</u>
2006	4.2%	4.0%	4.6%
2007	4.0	3.9	4.5
2008	5.1	5.0	5.4
2009	7.4	7.3	8.4
2010	7.8	7.6	8.6

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

**TABLE 19**  
**Monthly Unemployment Rates**

<u>Month</u>	<u>Town</u>	<u>County</u>	<u>State</u>
July, 2010	6.6%	7.7%	8.6%
August	6.4	7.5	8.3
September	6.4	7.3	8.2
October	6.7	7.1	8.0
November	7.8	7.4	8.2
December	8.6	7.3	8.0
January, 2011	10.2	8.4	8.9
February	10.2	8.2	8.7
March	9.3	7.5	8.0
April	7.6	6.9	7.6
May	6.9	6.9	7.8
June	6.5	7.3	8.0

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

**End of Appendix A**



**APPENDIX B**

**FINANCIAL STATEMENT SUMMARIES**

**AND**

**CASH FLOW STATEMENTS**

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**SOUTHAMPTON UNION FREE SCHOOL DISTRICT, NEW YORK**  
**Statement of Budgeted Revenues and Expenditures - General Fund**  
**Fiscal Year Ending June 30:**

	<u>2011 (1)</u>	<u>2012 (2)</u>
<b><u>Revenues:</u></b>		
Real Property Taxes (3)	\$ 45,868,560	\$ 47,851,817
Tuition	7,183,000	6,651,000
Interest Income	275,000	221,500
Use of Money and Property	40,000	50,000
State aid	2,801,933	2,489,998
Miscellaneous	202,521	241,500
Local Sources	-	-
Appropriated Fund Balance	<u>900,000</u>	<u>980,000</u>
<b>Total Revenues:</b>	<b><u>\$ 57,271,014</u></b>	<b><u>\$ 58,485,815</u></b>
 <b><u>Expenditures:</u></b>		
General Support	\$ 7,734,582	\$ 7,848,324
Instruction	30,625,667	30,183,162
Pupil Transportation	2,809,403	2,621,304
Community Services	606,018	635,588
Employee Benefits	11,754,666	12,859,863
Interfund Transfer	140,000	146,000
Debt Service	<u>3,600,678</u>	<u>4,191,574</u>
<b>Total Expenditures:</b>	<b><u>\$ 57,271,014</u></b>	<b><u>\$ 58,485,815</u></b>

(1) The District's proposed 2010-2011 fiscal year budget was approved by voters on May 18, 2010.

(2) The District's proposed 2011-2012 fiscal year budget was approved by voters on May 17, 2011.

(3) Inclusive of STAR aid payments.

**SOUTHAMPTON UNION FREE SCHOOL DISTRICT, NEW YORK**  
**Comparative Balance Sheet - General Fund**  
**Fiscal Years Ended June 30:**

	<u>2009</u>	<u>2010</u>
<b><u>Assets:</u></b>		
Unrestricted Cash	\$ 17,384,953	\$ 20,442,876
Accounts Receivable	1,047,019	388,897
Due from other funds	1,327,027	1,224,692
Due from other governments	<u>3,802,679</u>	<u>3,956,897</u>
<b>Total Assets:</b>	<b><u>\$ 23,561,678</u></b>	<b><u>\$ 26,013,362</u></b>
<b><u>Liabilities and Fund Equity:</u></b>		
Accounts Payable	\$ 1,399,160	\$ 1,363,024
Accrued Liabilities	67,648	101,750
Due to Other Funds	-	628,618
Due to Other Governments	12,992	227,290
Deferred Revenues	22,125	71,615
Due to Employees' Retirement System	153,950	221,346
Due to Teachers Retirement System	1,890,583	1,608,811
Compansated Absences	<u>335,259</u>	<u>434,629</u>
<b>Total Liabilities:</b>	<b><u>3,881,717</u></b>	<b><u>4,657,083</u></b>
<b><u>Fund Equity:</u></b>		
Reserve for Encumbrances	\$ 78,458	\$ 336,099
Reserved- other	16,662,106	17,829,339
Unreserved		
Designated	725,000	900,000
Undesignated	<u>2,214,397</u>	<u>2,290,841</u>
<b>Total Fund Balance</b>	<b>19,679,961</b>	<b>21,356,279</b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 23,561,678</u></b>	<b><u>\$ 26,013,362</u></b>

Source: Audited Financial Statements of the District. Summary itself is not audited.

**SOUTHAMPTON UNION FREE SCHOOL DISTRICT, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund**  
**Fiscal Year Ended June 30:**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 36,113,379	\$ 37,926,168	\$ 38,946,798	\$ 42,787,900	\$ 44,246,752
Other Property Tax Items	485,553	622,938	651,465	586,473	545,613
Charges for Services	7,171,926	6,894,607	7,173,184	7,567,615	7,039,390
Use of Money & Property	670,093	997,838	706,388	669,557	201,995
Sale of Property/Compensation for Loss	59,554	80,655	41,982	72,947	64,960
Miscellaneous	302,857	148,200	176,971	159,280	520,747
State Sources	2,084,059	2,052,321	2,547,055	3,025,474	1,967,499
Federal Sources	-	-	-	-	462,988
Medicaid Reimbursement	38,041	50,518	28,462	3,405	17,743
	<u>46,925,462</u>	<u>48,773,245</u>	<u>50,272,305</u>	<u>54,872,651</u>	<u>55,067,687</u>
<b>Total Revenues</b>					
<b>Expenditures:</b>					
General Support	\$ 6,182,674	\$ 6,691,428	\$ 6,746,549	\$ 6,511,347	\$ 6,896,133
Instruction	24,526,420	25,869,240	27,130,484	28,124,757	28,200,257
Pupil Transportation	2,326,068	2,066,287	2,202,209	2,139,778	2,619,033
Community Services	466,040	526,311	516,387	555,154	580,629
Employee Benefits	8,998,183	9,002,844	9,363,164	9,595,807	9,409,480
Debt Service	749,759	914,566	686,656	1,568,888	2,809,804
	<u>43,249,144</u>	<u>45,070,676</u>	<u>46,645,449</u>	<u>48,495,731</u>	<u>50,515,336</u>
<b>Total Expenditures</b>					
Excess (Deficiency) of Revenues Over Expenditures	<u>3,676,318</u>	<u>3,702,569</u>	<u>3,626,856</u>	<u>6,376,920</u>	<u>4,552,351</u>
<b>Other Sources and Uses</b>					
Proceeds from long-term debt					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(37,503)</u>	<u>(2,175,063)</u>	<u>(2,586,240)</u>	<u>(56,924)</u>	<u>(2,876,033)</u>
<b>Total Other Sources (Uses)</b>	<u>(37,503)</u>	<u>(2,175,063)</u>	<u>(2,586,240)</u>	<u>(56,924)</u>	<u>(2,876,033)</u>
Excess (Deficit) Revenues & Other Sources Over Expenditures and Other (Uses)	3,638,815	1,527,506	1,040,616	6,319,996	1,676,318
Fund Balance - Beg. of Year	7,153,028	10,791,843	12,319,349	13,359,965	19,679,961
Other Changes in Fund Equity Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Equity - End of Year</b>	<u>\$ 10,791,843</u>	<u>\$ 12,319,349</u>	<u>\$ 13,359,965</u>	<u>\$ 19,679,961</u>	<u>\$ 21,356,279</u>

Source: Audited Financial Statements of the District. Summary, itself is not audited.

**Southampton Union Free School District, New York**  
**Actual Cash Flow**  
**Fiscal Year July 1, 2010 - June 30, 2011**

<b>MONTH</b>	<b><u>JULY</u></b>	<b><u>AUGUST</u></b>	<b><u>SEPT</u></b>	<b><u>OCT</u></b>	<b><u>NOV</u></b>	<b><u>DEC</u></b>	<b><u>JAN</u></b>	<b><u>FEB</u></b>	<b><u>MAR</u></b>	<b><u>APRIL</u></b>	<b><u>MAY</u></b>	<b><u>JUNE</u></b>	<b><u>TOTAL</u></b>
<b>BALANCE (Beginning) (1)</b>	\$10,672,029	\$9,234,691	\$6,413,137	\$11,373,508	\$7,573,969	\$4,714,627	\$2,035,893	\$14,960,853	\$16,131,893	\$16,441,738	\$11,826,897	\$7,445,214	\$10,672,029 (2)
<b>RECEIPTS</b>													
Property Taxes	0	0	0	0	0	0	21,224,309	1,061,215	1,061,215	1,061,215	2,274,033	18,908,380	\$45,590,367
Property Taxes Due Other Govts	0	0	0	0	0	0	2,003,125	100,156	100,156	100,156	214,621	1,767,324	4,285,538
STAR Aid	0	0	0	0	0	0	372,875	0	0	0	0	0	372,875
State Aid	332,691	80,438	201,586	5,744	351,630	634,480	0	8,811	1,221,507	0	0	626,449	3,463,336
Tuition	299,008	8,418	72,708	0	0	0	890,839	3,423,712	1,376,510	0	0	995,466	7,066,661
Transfers	0	0	202,597	0	1,000,000	2,012,022	161,754	0	0	0	0	320,000	3,696,373
Proceeds TANs	0	0	9,628,250	0	0	0	0	0	0	0	0	0	9,628,250
Interest Income	2,434	1,749	3,276	11,176	1,072	514	2,129	2,979	3,246	2,744	2,301	3,184	36,804
Other	7,439	85,893	2,570	94,273	33,768	72,749	64,192	20,174	27,315	51,109	28,943	251,077	739,502
<b>TOTAL RECEIPTS</b>	<b>641,572</b>	<b>176,498</b>	<b>10,110,987</b>	<b>111,193</b>	<b>1,386,470</b>	<b>2,719,765</b>	<b>24,719,223</b>	<b>4,617,047</b>	<b>3,789,949</b>	<b>1,215,224</b>	<b>2,519,898</b>	<b>22,871,880</b>	<b>74,879,706</b>
<b>DISBURSEMENTS</b>													
Operating Expenses	1,349,136	2,341,385	1,248,034	1,349,783	1,542,518	2,144,204	1,217,303	589,012	859,233	1,951,539	1,140,974	1,211,532	\$16,944,653
Salaries and Benefits	604,307	656,667	2,734,861	2,510,949	2,683,294	2,643,328	2,503,556	2,534,274	2,620,871	3,878,526	2,578,157	6,573,820	32,522,610
Property Taxes Due	125,467	0	322,721	0	0	0	1,756,272	322,721	0	0	1,756,271	0	4,283,452
Transfers	0	0	845,000	50,000	20,000	125,000	6,317,132	0	0	0	0	0	7,357,132
TAN Repay	0	0	0	0	0	0	0	0	0	0	0	9,500,000	9,500,000
TAN Repay - Interest	0	0	0	0	0	0	0	0	0	0	0	154,111	154,111
Debt Service	0	0	0	0	0	485,967	0	0	0	0	1,426,179	1,386,027	3,298,173
<b>TOTAL DISBURSEMENTS</b>	<b>2,078,910</b>	<b>2,998,052</b>	<b>5,150,616</b>	<b>3,910,732</b>	<b>4,245,812</b>	<b>5,398,499</b>	<b>11,794,263</b>	<b>3,446,007</b>	<b>3,480,104</b>	<b>5,830,065</b>	<b>6,901,581</b>	<b>18,825,490</b>	<b>74,060,131</b>
<b>BALANCE (Ending)</b>	<b>\$9,234,691</b>	<b>\$6,413,137</b>	<b>\$11,373,508</b>	<b>\$7,573,969</b>	<b>\$4,714,627</b>	<b>\$2,035,893</b>	<b>\$14,960,853</b>	<b>\$16,131,893</b>	<b>\$16,441,738</b>	<b>\$11,826,897</b>	<b>\$7,445,214</b>	<b>\$11,491,604</b>	<b>\$11,491,604</b>
<b>NOTE PAYMENT ACCOUNT (3)</b>													
Balance (Beginning)	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	9,500,000	9,500,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	(9,500,000)	(9,500,000)
Balance (Ending)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(1) Exclusive of Capital, Repair and Retirement Reserves.

(2) Balance as of June 30, 2010.

(3) The Note Payment Account reflects the amounts set aside by the District to pay the principal of 2010-2011 tax anticipation notes at their maturity.

The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.

**Southampton Union Free School District, New York**  
**Projected Cash Flow**  
**Fiscal Year July 1, 2011 - June 30, 2012**

<b>MONTH</b>	<b><u>JULY</u></b>	<b><u>AUG</u></b>	<b><u>SEPT</u></b>	<b><u>OCT</u></b>	<b><u>NOV</u></b>	<b><u>DEC</u></b>	<b><u>JAN</u></b>	<b><u>FEB</u></b>	<b><u>MAR</u></b>	<b><u>APRIL</u></b>	<b><u>MAY</u></b>	<b><u>JUNE</u></b>	<b><u>TOTAL</u></b>
<b>BALANCE (Beginning)(1)</b>	\$11,491,604	\$9,622,331	\$7,497,331	\$14,325,331	\$9,131,410	\$4,714,910	\$239,926	\$18,793,257	\$19,722,157	\$18,816,057	\$14,307,457	\$13,329,827	\$11,491,604 (2)
<b>RECEIPTS</b>													
Property Taxes	0	0	0	0	0	0	22,445,700	1,116,100	1,116,100	1,116,100	2,391,670	19,291,147	\$47,476,817
Property Taxes Due Other Govts	0	0	0	0	0	0	2,118,200	105,300	105,300	105,300	225,700	1,779,006	4,438,806
STAR Aid	0	0	0	0	0	0	375,000	0	0	0	0	0	375,000
State Aid	200,000	100,000	175,000	5,000	5,000	150,000	250,000	250,000	450,000	250,000	250,000	399,998	2,484,998
Tuition	300,000	10,000	75,000	0	0	0	1,000,000	3,400,000	1,400,000	0	0	140,000	6,325,000
Transfers	0	0	0	0	0	1,500,000	0	0	0	0	0	0	1,500,000
Proceeds TANs	0	0	11,000,000	0	0	0	0	0	0	0	0	0	11,000,000
Interest Income	5,000	7,500	8,000	6,000	3,500	10,000	5,000	7,500	7,500	5,000	5,000	5,000	75,000
Other	45,000	7,500	70,000	125,000	75,000	20,000	15,000	50,000	15,000	15,000	150,000	206,500	794,000
<b>TOTAL RECEIPTS</b>	<b>550,000</b>	<b>125,000</b>	<b>11,328,000</b>	<b>136,000</b>	<b>83,500</b>	<b>1,680,000</b>	<b>26,208,900</b>	<b>4,928,900</b>	<b>3,093,900</b>	<b>1,491,400</b>	<b>3,022,370</b>	<b>21,821,651</b>	<b>74,469,621</b>
<b>DISBURSEMENTS</b>													
Operating Expenses	1,250,000	1,250,000	1,750,000	2,250,000	1,750,000	2,500,000	1,250,000	1,250,000	1,250,000	2,000,000	1,250,000	2,104,873	\$19,854,873
Salaries and Benefits	1,000,000	1,000,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	4,000,000	2,750,000	6,439,368	34,439,368
Property Taxes Due	127,667	0	0	329,921	0	0	2,155,569	0	0	0	0	1,825,649	4,438,806
Transfers	0	0	0	0	0	0	1,500,000	0	0	0	0	0	1,500,000
TAN Repay	0	0	0	0	0	0	0	0	0	0	0	11,000,000	11,000,000
TAN Repay - Interest	0	0	0	0	0	0	0	0	0	0	0	180,000	180,000
Debt Service (3)	41,606	0	0	0	0	904,984	0	0	0	0	0	3,064,984	4,011,574
<b>TOTAL DISBURSEMENTS</b>	<b>2,419,273</b>	<b>2,250,000</b>	<b>4,500,000</b>	<b>5,329,921</b>	<b>4,500,000</b>	<b>6,154,984</b>	<b>7,655,569</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>6,000,000</b>	<b>4,000,000</b>	<b>24,614,874</b>	<b>75,424,621</b>
<b>BALANCE (Ending)</b>	<b>\$9,622,331</b>	<b>\$7,497,331</b>	<b>\$14,325,331</b>	<b>\$9,131,410</b>	<b>\$4,714,910</b>	<b>\$239,926</b>	<b>\$18,793,257</b>	<b>\$19,722,157</b>	<b>\$18,816,057</b>	<b>\$14,307,457</b>	<b>\$13,329,827</b>	<b>\$10,536,604</b>	<b>\$10,536,604</b>
<b>NOTE PAYMENT ACCOUNT (4)</b>													
Balance (Beginning)	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	11,000,000	11,000,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	(11,000,000)	(11,000,000)
Balance (Ending)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(1) Exclusive of Capital, Repair and Retirement Reserves.

(2) Balance as of June 30, 2011.

(3) Inclusive of Lease Obligations and Installment Debt.

(4) The Note Payment Account reflects the amounts set aside by the District to pay the principal of 2011-2012 tax anticipation notes at their maturity. The interest payment on such notes is not reflected in the Note Repayment Account, but is recorded as a disbursement in the schedule above.