

**EAST HAMPTON UNION FREE  
SCHOOL DISTRICT**

**Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report**

**June 30, 2020**

# EAST HAMPTON UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Hampton Union Free School District (the District), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Hampton Union Free School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 and the additional information on pages 56 through 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 6, 2020

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the East Hampton Union Free School District’s (the District) financial performance for the fiscal year ended June 30, 2020. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

- On the district-wide financial statements, revenues remained consistent decreasing by less than 1.0%. Expenses increased by 7.6% primarily as a result of increases in expense related to pensions.
- On May 19, 2020 the proposed 2020-2021 budget in the amount of \$71,979,573 was authorized by the District’s residents.
- The voters of East Hampton USFD approved to spend an estimated \$2.2 million from the Capital Reserve to fund the construction of the high school commercial cooking lab. The Capital Reserve fund was previously approved by the voters in the District on May 16, 2017.
- The budget vote was June 16, 2020 by mail in ballot (Governnor Cuomo changed due to COVID crisis).

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

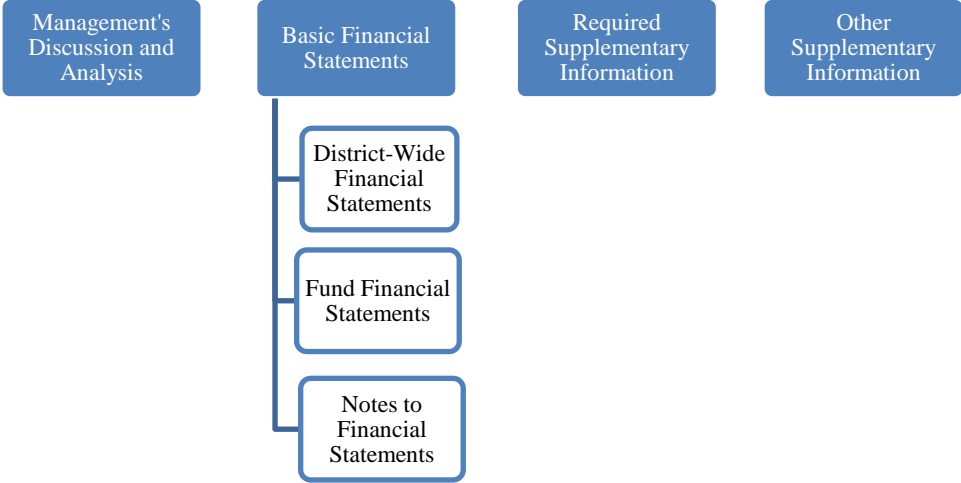
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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





**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

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

	District-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability and deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Current assets, deferred outflows of resources, liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**A. District-Wide Statements**

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

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

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

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

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenues and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net positions* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation.
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**B. Fund Financial Statements**

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

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District’s own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

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

**A. Net Position**

The District’s total net position decreased by \$5,789,288 for the fiscal year ended June 30, 2020.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)
Current assets and other assets	\$ 25,701,779	24,782,742	919,037
Other noncurrent assets	4,276,513	2,980,935	1,295,578
Capital assets	<u>84,254,486</u>	<u>82,088,106</u>	<u>2,166,380</u>
Total assets	<u>114,232,778</u>	<u>109,851,783</u>	<u>4,380,995</u>
Deferred outflows of resources	<u>23,042,213</u>	<u>18,156,837</u>	<u>4,885,376</u>
Current liabilities	4,480,562	4,870,357	(389,795)
Long-term liabilities	<u>172,754,214</u>	<u>159,899,797</u>	<u>12,854,417</u>
Total liabilities	<u>177,234,776</u>	<u>164,770,154</u>	<u>12,464,622</u>
Deferred inflows of resources	<u>15,450,741</u>	<u>12,859,704</u>	<u>2,591,037</u>
Net position (deficit):			
Net investment in capital assets	41,601,992	38,170,165	3,431,827
Restricted	16,679,554	15,608,590	1,070,964
Unrestricted	<u>(113,692,072)</u>	<u>(103,399,993)</u>	<u>(10,292,079)</u>
Total net position (deficit)	\$ <u>(55,410,526)</u>	<u>(49,621,238)</u>	<u>(5,789,288)</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**B. Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2020 and 2019 are as follows:

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

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)
Revenue:			
Program revenue:			
Charges for services	\$ 13,340,494	14,432,803	(1,092,309)
Operating grants	1,188,432	1,150,067	38,365
General revenues:			
Real property taxes and other items	52,172,840	51,165,245	1,007,595
State sources	3,475,110	3,392,187	82,923
Use of money and property	292,174	502,061	(209,887)
Other	<u>301,773</u>	<u>275,778</u>	<u>25,995</u>
Total revenue	<u>70,770,823</u>	<u>70,918,141</u>	<u>(147,318)</u>
Expenses:			
General support	11,329,771	8,790,852	2,538,919
Instruction	56,890,372	53,741,526	3,148,846
Pupil transportation	2,903,538	2,960,754	(57,216)
Community services	47,209	74,400	(27,191)
Debt service - interest	1,656,672	1,945,938	(289,266)
School lunch program	871,857	923,495	(51,638)
Depreciation (unallocated)	<u>2,860,692</u>	<u>2,717,825</u>	<u>142,867</u>
Total expenses	<u>76,560,111</u>	<u>71,154,790</u>	<u>5,405,321</u>
Change in net position	\$ <u>(5,789,288)</u>	<u>(236,649)</u>	<u>(5,552,639)</u>

The District's total fiscal year 2020 revenues totaled \$70,770,823. Property taxes and charges for services accounted for most of the District's revenue by contributing 73.7% and 18.9%, respectively of every dollar raised. (See Table A-5.) The remainder came from state and federal aid, operating grants, investment earnings and rental of property, and other miscellaneous sources.

The total cost of all programs and services totaled \$76,560,111 for fiscal year 2020. These expenses are predominantly related to instruction, which account for 74.3% of district expenses. (See Table A-6). The District's general support activities accounts for 14.8%.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

Table A-5: Revenues for Fiscal Year 2020 (See Table A-4).

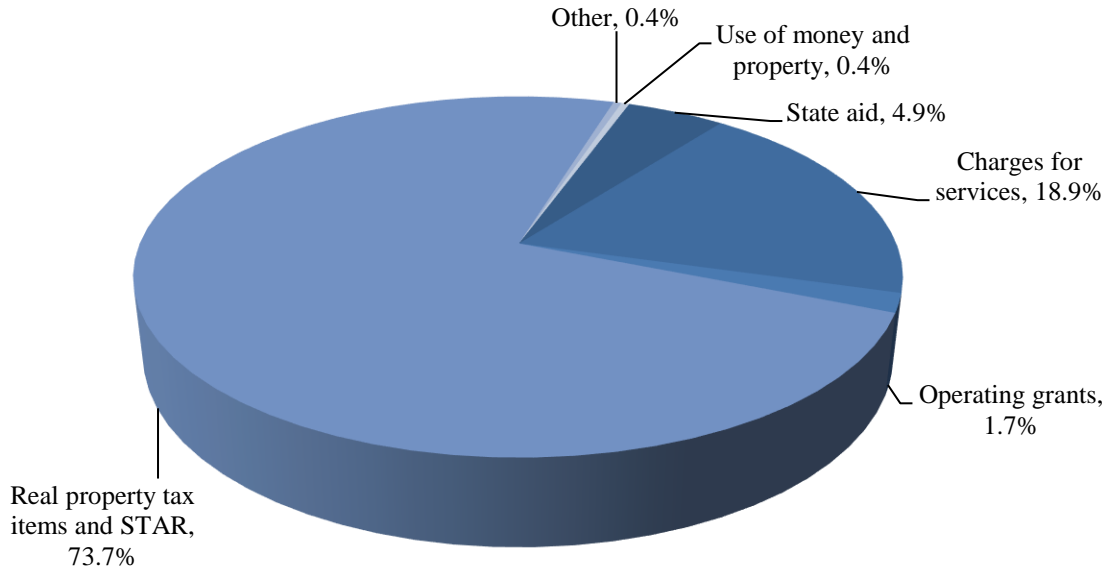
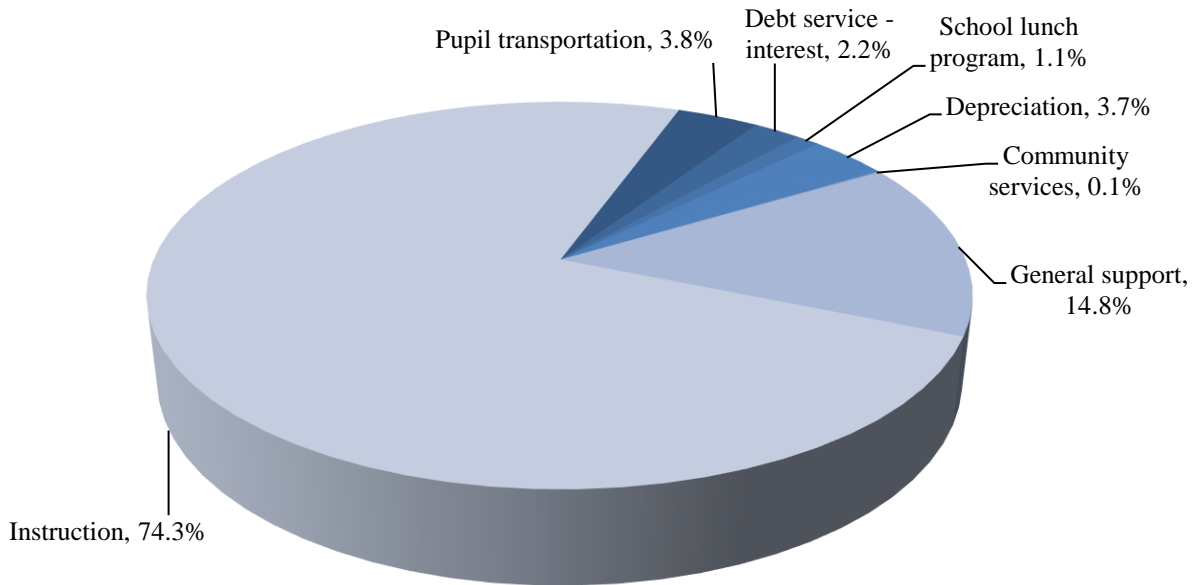


Table A-6: Expenses for Fiscal Year 2020 (See Tables A-4 and A-7)



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**C. Governmental Activities**

Revenues for the District’s governmental activities totaled \$70,770,823 while total expenses equaled \$76,560,111 resulting in a change of net position of approximately (\$5.8) million, primarily from \$4.5 million of additional pension expense and OPEB expense under GASB Statement No. 68 and GASB Statement No. 75. The overall good financial condition of the District, as a whole, can be credited to:

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

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost (Revenue) of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020	2019	2020	2019
General support	\$ 11,329,771	8,790,852	11,329,771	8,790,852
Instruction	56,890,372	53,741,526	43,145,347	39,049,441
Pupil transportation	2,903,538	2,960,754	2,903,538	2,960,754
Community services	47,209	74,400	47,209	74,400
Debt service - interest	1,656,672	1,945,938	1,656,672	1,945,938
School lunch program	871,857	923,495	87,956	32,710
Depreciation (unallocated)	<u>2,860,692</u>	<u>2,717,825</u>	<u>2,860,692</u>	<u>2,717,825</u>
	\$ <u>76,560,111</u>	<u>71,154,790</u>	<u>62,031,185</u>	<u>55,571,920</u>

- The cost of all governmental activities this year was \$76,560,111. (Statement of Activities, Expenses column).
- The users of the District’s programs financed \$13,340,494 of the cost. (Statement of Activities, Charges For Services column).
- The federal and state governments subsidized certain programs with grants of \$1,188,432. (Statement of Activities and Changes in Net Position, Operating Grants column).

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

- Most of the District’s net costs of \$62,031,185 were financed by District taxpayers and state aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column).

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

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

As of June 30, 2020, the District’s combined governmental funds reported a total fund balance of \$20,540,152 which is an increase of \$1,512,329 from the prior year. This increase is primarily due to increased real property tax revenues and cost savings in most categories of expenditures.

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

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)
<b>General Fund</b>			
Nonspendable	\$ 16,667	16,667	-
Restricted for workers’ compensation	573,493	559,532	13,961
Restricted for unemployment insurance	55,675	54,893	782
Restricted for retirement contribution	3,930,679	3,336,904	593,775
Restricted for repairs	16,682	16,447	235
Restricted for property and liability loss	38,941	37,250	1,691
Restricted for employee benefit accrued liability	6,339,350	6,100,166	239,184
Restricted for capital	4,505,863	2,477,401	2,028,462
Assigned - designated for subsequent - year’s expenditures	400,000	400,000	-
Assigned for general support	41,790	108,460	(66,670)
Assigned for instruction	7,665	5,010	2,655
Unassigned	<u>3,387,236</u>	<u>2,837,885</u>	<u>549,351</u>
Total Fund Balance - General Fund	<u>19,314,041</u>	<u>15,950,615</u>	<u>3,363,426</u>



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)
<b>School Lunch Fund</b>			
Nonspendable	\$ 11,509	11,509	-
Assigned	-	39,702	(39,702)
Unassigned	<u>(4,269)</u>	<u>-</u>	<u>(4,269)</u>
Total Fund Balance - School Lunch Fund	\$ <u>7,240</u>	<u>51,211</u>	<u>(43,971)</u>
<b>Debt Service Fund</b>			
Restricted	\$ <u>177,182</u>	<u>158,343</u>	<u>18,839</u>
<b>Capital Projects Fund</b>			
Restricted	\$ <u>1,041,689</u>	<u>2,867,654</u>	<u>(1,825,965)</u>
Total Fund Balance - All Funds	\$ <u>20,540,152</u>	<u>19,027,823</u>	<u>1,512,329</u>

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

**A. General Fund**

The net change in the general fund - fund balance is an increase of \$3,363,426. This was primarily due to a controlled effort to decrease expenditures to offset declining tuition revenues as well as a decrease in expenditures related to COVID-19 halting various activities. In addition there were transfers to the debt service fund of \$5,140,603, the special aid fund of \$9,001, the school lunch fund of \$10,000, and capital projects fund of \$822,678.

**B. School Lunch Fund**

The net change in the school lunch fund - fund balance is a decrease of \$43,971. This resulted from expenditures in excess of revenues by \$53,971 supplemented by a transfer of funds from the general fund in the amount of \$10,000.

**C. Debt Service Fund**

The net change in debt service fund - fund balance is an increase of \$18,839. This resulted from transfers from the general fund of \$5,140,603, offset by an excess of expenditures over revenues of \$5,121,764.

**D. Capital Projects Fund**

The net change in capital projects fund - fund balance is a decrease of \$1,825,965. This decrease is due to the capital outlay of \$6,758,894 offset by the transfer from the general fund of \$822,678 and the issuance of debt of \$4,656,865.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The District’s general fund adopted budget for the year ended June 30, 2020 was \$70,947,121. This amount was increased by encumbrances carried forward from the prior year in the amount of \$113,470 and other budget revisions of \$625,680 which resulted in a final budget of \$71,686,271. The majority of the funding was from real property taxes, PILOTS and STAR revenue of \$52,049,179.

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

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

Opening, unassigned fund balance	\$ 2,837,885
Revenues under budget	(862,487)
Expenditures and encumbrances under budget	4,689,928
Changes in restricted funds	(2,878,090)
Appropriated for 2020 - 2021 budget	<u>(400,000)</u>
Closing, unassigned fund balance	\$ <u>3,387,236</u>

NYS Real Property Tax Law 1318 restricts the unassigned fund balance of the General Fund to an amount not greater than 4% of the District’s budget for the ensuing fiscal year. The District’s current balance of unassigned fund balance is 4.71%.

The revenues under budget of \$862,487 were primarily due to decreases in tuition from other districts.

The expenditures and encumbrances under budget of \$4,689,928 were primarily in instruction, employee benefits and pupil transportation.

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

The District paid for equipment and various building additions and renovations during the fiscal year 2020. A summary of the District’s capital assets net of depreciation are as follows:

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

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)
Land	\$ 2,686,720	376,150	2,310,570
Construction in progress	2,015,788	2,488,418	(472,630)
Buildings and building improvements	113,619,286	111,316,394	2,302,892
Furniture and equipment	4,859,955	4,426,526	433,429
Vehicles	3,125,301	3,126,033	(732)
Land improvements	<u>1,083,882</u>	<u>844,631</u>	<u>239,251</u>
Subtotal	127,390,932	122,578,152	4,812,780
Less accumulated depreciation	<u>(43,136,446)</u>	<u>(40,490,046)</u>	<u>(2,646,400)</u>
Total net capital assets	\$ <u>84,254,486</u>	<u>82,088,106</u>	<u>2,166,380</u>

The District spent \$4,380,083 on new building construction and other improvements during the year in the capital projects fund. Capitalized assets expended in the general fund totaled \$671,670.

**B. Long-Term Debt**

At June 30, 2020, the District had total bonds payable of \$41,073,068. More detailed information about the District’s long-term debt is presented in the notes to the financial statements.

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

The general fund budget for the 2020-2021 school year was approved by the voters in the amount of \$71,979,573. This is an increase of \$1,032,452 or 1.5% over the previous year’s adopted budget. The increase was primarily due to increases in mandated employee benefits and services as well as general increases in the budget.

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2020**

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 2,959,474
Restricted	17,915,920
Investments	448,114
Receivables	
Accounts receivable	9,390
State and federal aid	1,044,152
Due from other governments	3,288,874
Due from fiduciary funds	7,679
Prepaid	16,667
Inventories	11,509
Capital assets, net of depreciation	84,254,486
Net pension asset - proportionate share - TRS	<u>4,276,513</u>
<b>TOTAL ASSETS</b>	<u>114,232,778</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding of debt	747,952
Pensions	17,877,769
OPEB	<u>4,416,492</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>23,042,213</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	1,286,072
Accrued liabilities	11,112
Due to other governments	112,745
Due to teachers' retirement system	2,663,786
Due to employees' retirement system	286,755
Interest payable	120,092
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,535,000
Energy performance contract	109,086
Compensated absences payable	404,294
Due and payable after one year	
Bonds payable	37,538,068
Energy performance contract	4,496,347
Compensated absences payable	6,235,474
Total OPEB liability	114,217,116
Claims payable	432,806
Net pension liability - proportionate share - ERS	<u>5,786,023</u>
<b>TOTAL LIABILITIES</b>	<u>177,234,776</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	6,062,862
OPEB	9,111,046
Unearned income	<u>276,833</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>15,450,741</u>
<b>NET POSITION</b>	
Net investment in capital assets	41,601,992
Restricted for:	
Worker's compensation	573,493
Unemployment insurance	55,675
Retirement contributions	3,930,679
Repairs	16,682
Property and liability loss	38,941
Employee benefit accrued liability	6,339,350
Capital	5,547,552
Debt service	177,182
Unrestricted	<u>(113,692,072)</u>
<b>Total Net Position</b>	<u>\$ (55,410,526)</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
<b>FUNCTIONS / PROGRAMS</b>		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
General support	\$11,329,771	-	-	(11,329,771)
Instruction	56,890,372	13,036,809	708,216	(43,145,347)
Pupil transportation	2,903,538	-	-	(2,903,538)
Community services	47,209	-	-	(47,209)
Debt service - interest	1,656,672	-	-	(1,656,672)
School lunch program	871,857	303,685	480,216	(87,956)
Depreciation (unallocated)	<u>2,860,692</u>	<u>-</u>	<u>-</u>	<u>(2,860,692)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$76,560,111</u>	<u>13,340,494</u>	<u>1,188,432</u>	<u>(62,031,185)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				51,583,767
Real property tax items				589,073
Use of money and property				292,174
Miscellaneous				301,773
State sources				<u>3,475,110</u>
<b>TOTAL GENERAL REVENUES</b>				<u>56,241,897</u>
<b>CHANGE IN NET POSITION</b>				(5,789,288)
<b>NET POSITION AT BEGINNING OF YEAR</b>				<u>(49,621,238)</u>
<b>TOTAL NET POSITION AT END OF YEAR</b>				<u>\$(55,410,526)</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 2,525,455	4,120	24,531	-	405,368	2,959,474
Restricted	15,460,683	-	-	177,182	2,278,055	17,915,920
Investments	448,114	-	-	-	-	448,114
Receivables						
Accounts receivable	6,024	-	3,366	-	-	9,390
State and federal aid	714,135	302,176	27,841	-	-	1,044,152
Due from other governments	3,288,874	-	-	-	-	3,288,874
Due from other funds	1,895,457	-	-	-	-	1,895,457
Prepaid	16,667	-	-	-	-	16,667
Inventories	-	-	11,509	-	-	11,509
<b>TOTAL ASSETS</b>	<u>\$24,355,409</u>	<u>306,296</u>	<u>67,247</u>	<u>177,182</u>	<u>2,683,423</u>	<u>27,589,557</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Payables						
Accounts payable	1,201,291	7,683	31,430	-	45,668	1,286,072
Accrued liabilities	-	11,112	-	-	-	11,112
Due to other governments	112,745	-	-	-	-	112,745
Due to other funds	-	287,501	4,211	-	1,596,066	1,887,778
Due to teachers' retirement system	2,663,786	-	-	-	-	2,663,786
Due to employees' retirement system	286,755	-	-	-	-	286,755
Compensated absences payable	404,294	-	-	-	-	404,294
<b>TOTAL LIABILITIES</b>	<u>4,668,871</u>	<u>306,296</u>	<u>35,641</u>	<u>-</u>	<u>1,641,734</u>	<u>6,652,542</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned income	372,497	-	24,366	-	-	396,863
<b>FUND BALANCE</b>						
Non-spendable	16,667	-	11,509	-	-	28,176
Restricted	15,460,683	-	-	177,182	1,041,689	16,679,554
Assigned	449,455	-	-	-	-	449,455
Unassigned	3,387,236	-	(4,269)	-	-	3,382,967
<b>TOTAL FUND BALANCE</b>	<u>19,314,041</u>	<u>-</u>	<u>7,240</u>	<u>177,182</u>	<u>1,041,689</u>	<u>20,540,152</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$24,355,409</u>	<u>306,296</u>	<u>67,247</u>	<u>177,182</u>	<u>2,683,423</u>	<u>27,589,557</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total governmental fund balances		\$ 20,540,152
Amounts reported for governmental activities in the statement of net position are different because:		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The statement of net position includes those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.</p>		
Original cost of capital assets	\$127,390,932	
Less: accumulated depreciation	<u>(43,136,446)</u>	84,254,486
<p>State sources in the governmental funds have been deferred as the aid is not available to pay current liabilities. This amount is considered available in the statement of activities.</p>		
		120,030
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:</p>		
Bonds payable	(41,073,068)	
Energy performance contract	(4,605,433)	
Accrued interest on bonds payable	(120,092)	
Claims payable	(432,806)	
Total OPEB liability	(114,217,116)	
Compensated absences payable	<u>(6,235,474)</u>	(166,683,989)
<p>Some deferred inflows and outflows are not reported in the governmental funds. These consist of:</p>		
Deferred outflows of resources - pensions	17,877,769	
Deferred inflows of resources - pensions	(6,062,862)	
Deferred outflows of resources - deferred charges on refunding of debt	747,952	
Deferred outflows of resources - OPEB	4,416,492	
Deferred inflows of resources - OPEB	<u>(9,111,046)</u>	7,868,305
<p>Net pension asset/liability - proportionate shares are not current financial resources or obligations and therefore are not reported in the governmental funds:</p>		
Net pension asset - proportionate share - TRS		4,276,513
Net pension liability - proportionate share - ERS		<u>(5,786,023)</u>
Net position (deficit) of governmental activities		<u>\$ (55,410,526)</u>



**EAST HAMPTON UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$ 51,583,767	-	-	-	-	51,583,767
Real property tax items	589,073	-	-	-	-	589,073
Charges for services	13,036,809	-	-	-	-	13,036,809
Use of money and property	271,518	-	331	20,325	-	292,174
Miscellaneous	301,773	-	-	-	-	301,773
State sources	3,355,080	84,702	14,993	-	-	3,454,775
Federal sources	-	623,514	399,863	-	-	1,023,377
Surplus food	-	-	65,360	-	-	65,360
Food service sales	-	-	303,685	-	-	303,685
<b>TOTAL REVENUES</b>	<u>69,138,020</u>	<u>708,216</u>	<u>784,232</u>	<u>20,325</u>	<u>-</u>	<u>70,650,793</u>
<b>EXPENDITURES</b>						
General support	6,782,461	-	-	-	-	6,782,461
Instruction	34,801,359	683,311	-	-	-	35,484,670
Pupil transportation	2,085,565	-	-	-	-	2,085,565
Community service	47,209	-	-	-	-	47,209
Employee benefits	16,449,471	33,906	4,212	-	-	16,487,589
Debt service - principal	-	-	-	3,416,432	-	3,416,432
Debt service - interest	172,861	-	-	1,725,657	-	1,898,518
Cost of food service sales	-	-	833,991	-	-	833,991
Capital outlay	-	-	-	-	6,758,894	6,758,894
<b>TOTAL EXPENDITURES</b>	<u>60,338,926</u>	<u>717,217</u>	<u>838,203</u>	<u>5,142,089</u>	<u>6,758,894</u>	<u>73,795,329</u>
<b>EXCESS (DEFICIENCY)</b>						
<b>OF REVENUES OVER EXPENDITURES</b>	<u>8,799,094</u>	<u>(9,001)</u>	<u>(53,971)</u>	<u>(5,121,764)</u>	<u>(6,758,894)</u>	<u>(3,144,536)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Long Term Debt	-	-	-	-	4,656,865	4,656,865
Operating transfers in	546,614	9,001	10,000	5,140,603	822,678	6,528,896
Operating transfers (out)	<u>(5,982,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(546,614)</u>	<u>(6,528,896)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,435,668)</u>	<u>9,001</u>	<u>10,000</u>	<u>5,140,603</u>	<u>4,932,929</u>	<u>4,656,865</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER SOURCES (USES)</b>						
	3,363,426	-	(43,971)	18,839	(1,825,965)	1,512,329
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>15,950,615</u>	<u>-</u>	<u>51,211</u>	<u>158,343</u>	<u>2,867,654</u>	<u>19,027,823</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 19,314,041</u>	<u>-</u>	<u>7,240</u>	<u>177,182</u>	<u>1,041,689</u>	<u>20,540,152</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net change in funds balances - total governmental funds \$ 1,512,329

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

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

Capital outlays, net of disposals	\$5,027,072	
Depreciation expense	<u>(2,860,692)</u>	2,166,380

State sources in the governmental funds has been deferred as the aid is not available to pay current liabilities. This amount is considered earned in the statement of activities. 120,030

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

Principal paid on general obligation debt	3,416,432	
Proceeds from issuance of energy performance contract	(4,656,865)	
Premium on obligations	312,370	
Deferred charges on refunding of debt	<u>(84,545)</u>	(1,012,608)

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

Compensated absences payable	(172,029)
Claims payable	126,726
Accrued interest on bonds payable	14,021
Total OPEB liability	(8,067,560)
Deferred outflows of resources - pensions	553,429
Deferred inflows of resources - pensions	(1,573,035)
Deferred outflows of resources - OPEB	4,416,492
Deferred inflows of resources - OPEB	(1,007,597)

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

Employees' retirement system	(4,161,444)
Teachers' retirement system	<u>1,295,578</u>

Changes in net position of governmental activities \$ (5,789,288)

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	<b><u>Private Purpose Trust Funds</u></b>	<b><u>Agency Funds</u></b>
<b>ASSETS</b>		
Cash	\$ 86,992	390,899
Other receivables	<u>61,607</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>148,599</u>	<u>390,899</u>
<b>LIABILITIES</b>		
Due to governmental funds	7,679	-
Extraclassroom activity balance	-	333,423
Other liabilities	<u>59,950</u>	<u>57,476</u>
<b>TOTAL LIABILITIES</b>	<u>67,629</u>	<u>390,899</u>
<b>NET POSITION</b>		
Reserved for scholarships	32,618	-
Reserved other student activities	<u>48,352</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<u>\$ 80,970</u>	<u>-</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS</b>	
Mini-grants and miscellaneous programs	\$ 142,439
Interest and earnings	<u>31</u>
<b>TOTAL ADDITIONS</b>	<u>142,470</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	51,759
Driver Ed/other student programs	<u>83,309</u>
<b>TOTAL DEDUCTIONS</b>	<u>135,068</u>
<b>CHANGE IN NET POSITION</b>	7,402
<b>NET POSITION - BEGINNING</b>	<u>73,568</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 80,970</u></u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

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

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

**(A) Reporting entity:**

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

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

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

**(i) Extraclassroom Activity Funds**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**(B) Joint venture:**

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

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

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

**(C) Basis of presentation:**

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

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

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

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

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**(ii) Fund Financial Statements:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(E) Property taxes:**

(i) Calendar

Real property taxes are levied annually by the Board of Education no later than November 1, and become a lien on December 1. Taxes are collected by the Town of East Hampton during the period December 1, 2019 to June 1, 2020.

(ii) Enforcement

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

**(F) Restricted resources:**

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



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**(G) Interfund transactions:**

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

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

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

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

**(H) Estimates:**

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

**(I) Fair value measurement:**

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

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

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

**(J) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**(K) Accounts receivable:**

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

**(L) Inventories:**

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

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

**(M) Capital assets:**

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

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

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

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

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in

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this category. The first item is deferred charges on refunding of debt which are amortized over the life of the outstanding bonds. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and differences during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems (TRS and ERS Systems) not included in pension expense. Also included are the District contributions to the pension systems subsequent to the measurement date. The third item is related to OPEB and represents changes in the total OPEB liability not included in OPEB expense.

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

**(O) Vested employee benefits:**

**Compensated absences:**

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

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

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

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

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

**(P) Other benefits:**

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

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

**(Q) Short-term debt:**

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

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

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

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

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

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

**(S) Equity Classifications:**

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

In the district-wide statements there are three classes of net position:

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

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

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

(ii) Funds statements:

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

Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance consists of a prepaid expenditure related to a security deposit for the bus garage lease of \$16,667 in the General Fund and inventory recorded in the School Lunch Fund of \$11,509.

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

Unemployment Insurance

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

Capital

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

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Repairs

Repair reserve (GML §6-d) is used to pay for the cost of repairs to capital assets which are not recurring annually. The Board of Education with a majority vote of its members may establish the reserve without voter approval, but voter approval is required to fund this reserve. Expenditures from this reserve may be made only after a public hearing has been held with the exception of emergency situations. In such cases where no hearing has been held, the funds must be repaid to the reserve within the next 2 years. The reserve is accounted for in the General Fund.

Property and Liability Loss

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

Retirement Contributions

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Under this classification, the District has restricted \$2,836,006 for State and Local Retirement Contributions and \$1,094,673 for Teachers' Retirement System Contributions. The reserve is accounted for in the General Fund.

Workers' Compensation

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

Employee Benefit Accrued Liability

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

Debt Service

Mandatory reserve for debt service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvements that was financed by obligations which remain outstanding

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at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

Scholarships

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

Other Student Activities

Reserve for other student activities is used to account for funds received from students for outside programs and is accounted for in the Private Purpose Fund.

Restricted fund balance includes the following:

General Fund:

Workers' compensation	\$ 573,493
Unemployment insurance	55,675
Retirement contributions	3,930,679
Repairs	16,682
Property and liability loss	38,941
Employee benefit accrued liability	6,339,350
Capital	<u>4,505,863</u>
Total General Fund	15,460,683
Debt Service Fund	177,182
Capital Projects Fund	<u>1,041,689</u>
Total restricted fund balance	<u>\$ 16,679,554</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. The District has no committed fund balances at June 30, 2020.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance and amounted to \$49,455. Additionally, the District assigned \$400,000 of General Fund fund balance to reduce the tax levy for the ensuing fiscal year budget.

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

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

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

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

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

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

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

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

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

(i) Long-term revenue differences:

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

(ii) Capital related differences:

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

(iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest



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payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(iv) Employee benefit allocations:

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

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

**(A) Budgets:**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No budget revisions occurred during the fiscal year.

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

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

**(B) Encumbrances:**

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

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honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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

**(A) Cash:**

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

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

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$6,339,350 for employee benefits, \$6,783,918 for capital improvements, \$16,682 for repairs, \$3,930,679 for employer retirement reserve, \$177,182 for debt service, \$573,493 for workers' compensation, \$38,941 for liability and property loss, and \$55,675 for unemployment insurance within the governmental funds.

**(B) Investments:**

The District's investments consist of a certificate of deposit in the amount of \$448,114, which bears an interest rate of 0.40% and matures on December 10, 2020. This is a Level 1 investment. The District does not purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**NOTE 5 - PARTICIPATION IN BOCES:**

During the year, the District was billed \$2,774,163 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$299,301, of which \$59,860 was deferred as discussed in Note 16. Financial statements for the BOCES are available from the BOCES

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administrative office at the James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

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

Federal and state aid receivable at June 30, 2020 consisted of the following:

<u>General Fund</u>	
New York State aid, plus excess cost aid	\$ 414,834
BOCES aid	<u>299,301</u>
Total - General fund	<u>714,135</u>
<u>Special Aid Fund</u>	
New York State aid - summer handicapped	\$ 36,003
Federal aid	<u>266,173</u>
Total - Special Aid Fund	<u>302,176</u>
<u>School Lunch</u>	
New York State aid	\$ 766
Federal aid	<u>27,075</u>
Total School Lunch	<u>27,841</u>
Total - All Funds	<u>\$ 1,044,152</u>

District management has deemed these amounts to be fully collectible.

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

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

Tuition billings	\$ <u>3,288,874</u>
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District management has deemed these amounts to be fully collectible.

**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2020 were:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 376,150	2,310,570	-	2,686,720
Construction in progress	<u>2,488,418</u>	<u>2,069,513</u>	<u>(2,542,143)</u>	<u>2,015,788</u>
Total nondepreciable historical cost	<u>2,864,568</u>	<u>4,380,083</u>	<u>(2,542,143)</u>	<u>4,702,508</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets that are depreciated:				
Building and building improvements	\$ 111,316,394	-	2,302,892	113,619,286
Furniture and equipment	4,426,526	458,110	(24,681)	4,859,955
Vehicles	3,126,033	213,560	(214,292)	3,125,301
Land improvement	<u>844,631</u>	<u>-</u>	<u>239,251</u>	<u>1,083,882</u>
Total depreciable historical cost	<u>119,713,584</u>	<u>671,670</u>	<u>2,303,170</u>	<u>122,688,424</u>
Less accumulated depreciation:				
Building and building improvements	34,623,285	2,262,790	-	36,886,075
Furniture and equipment	3,039,862	413,006	-	3,452,868
Vehicles	2,266,668	124,965	(214,292)	2,177,341
Land improvement	<u>560,231</u>	<u>59,931</u>	<u>-</u>	<u>620,162</u>
Total accumulated depreciation	<u>40,490,046</u>	<u>2,860,692</u>	<u>(214,292)</u>	<u>43,136,446</u>
Total historical cost, net	\$ <u>82,088,106</u>	<u>2,191,061</u>	<u>(24,681)</u>	<u>84,254,486</u>
Depreciation expense (unallocated)			\$ <u>2,860,692</u>	

**NOTE 9 - INTERFUND TRANSACTIONS:**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 1,895,457	-	546,614	5,982,282
Special aid fund	-	287,501	9,001	-
School lunch fund	-	4,211	10,000	-
Debt service fund	-	-	5,140,603	-
Capital projects fund	-	1,596,066	822,678	546,614
Private purpose trust fund	<u>-</u>	<u>7,679</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,895,457</u>	<u>1,895,457</u>	<u>6,528,896</u>	<u>6,528,896</u>

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

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

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

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

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/25/20	1.75%	\$ _____ -	<u>14,000,000</u>	<u>(14,000,000)</u>	_____ -

Interest expense, net of premium, on short-term debt for the year was \$172,861.

Authorized and Unissued Debt

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

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS:**

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

	<u>Beginning Balance</u>	<u>Issued/ Increases</u>	<u>Redeemed/ Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
General obligation debt:					
Bonds payable:					
Construction serial bonds	\$ 40,245,000	-	3,365,000	36,880,000	3,535,000
Unamortized bond premium	<u>4,505,438</u>	_____ -	<u>312,370</u>	<u>4,193,068</u>	_____ -
Total bonds payable	44,750,438	-	3,677,370	41,073,068	3,535,000
Energy performance contract	_____ -	<u>4,656,865</u>	<u>51,432</u>	<u>4,605,433</u>	<u>109,086</u>
Total general obligation debt	<u>44,750,438</u>	<u>4,656,865</u>	<u>3,728,802</u>	<u>45,678,501</u>	<u>3,644,086</u>
Other liabilities:					
Compensated absences	6,063,445	172,029	-	6,235,474	-
Total OPEB liability	106,149,556	8,067,560	-	114,217,116	-
Claims payable	559,532	-	126,726	432,806	-
Net pension liability - ERS	<u>1,624,579</u>	<u>4,161,444</u>	_____ -	<u>5,786,023</u>	_____ -
Total other liabilities	<u>114,397,112</u>	<u>12,401,033</u>	<u>126,726</u>	<u>126,671,419</u>	_____ -
Total long-term liabilities	\$ <u>159,147,550</u>	<u>17,057,898</u>	<u>3,855,528</u>	<u>172,349,920</u>	<u>3,644,086</u>

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

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Existing serial bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Construction Serial Bond	12/28/17	6/1/30	2.45 - 5.00%	\$ 36,880,000
Unamortized bond premium				<u>4,193,068</u>
				<u>\$ 41,073,068</u>

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,535,000	1,441,103	4,976,103
2022	3,705,000	1,264,353	4,969,353
2023	3,880,000	1,079,103	4,959,103
2024	4,070,000	885,103	4,955,103
2025	4,275,000	681,603	4,956,603
2026 - 2030	<u>17,415,000</u>	<u>1,054,988</u>	<u>18,469,988</u>
	36,880,000	6,406,253	43,286,253
Plus unamortized bond premium	<u>4,193,068</u>	-	<u>4,193,068</u>
	<u>\$ 41,073,068</u>	<u>6,406,253</u>	<u>47,479,321</u>

Existing energy performance contracts are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at Year End</u>
Energy Performance Contract	8/2/19	8/1/37	\$ <u>4,605,433</u>

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 109,086	58,650	167,736
2022	222,357	113,115	335,472
2023	228,057	107,415	335,472
2024	233,902	101,570	335,472
2025	239,898	95,574	335,472
2026 - 2030	1,294,938	382,422	1,677,360
2031 - 2035	1,469,628	207,732	1,677,360
2036 - 2037	<u>807,567</u>	<u>31,113</u>	<u>838,680</u>
	<u>\$ 4,605,433</u>	<u>1,097,591</u>	<u>5,703,024</u>

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

	<u>Total</u>
Interest paid, including installment debt	\$ 1,898,518
Less interest accrued in the prior year	(134,113)
Plus interest accrued in the current year	120,092
Bond premium amortization	(312,370)
Deferred loss amortization	<u>84,545</u>
	<u>\$ 1,656,672</u>

On December 28, 2017, the District utilized \$1,097,300 and issued \$47,195,000 in refunding serial bonds to advance refund \$51,675,000 of outstanding serial bonds. The net proceeds of \$52,880,721 (including a net premium of \$4,519,325 and after payment of \$133,600 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. The outstanding principal balance of the defeased bonds is \$40,581,000 at June 30, 2020.

The gain on the refunded bonds have been deferred and included in the long-term portion of bonds payable on the district-wide financial statements. The premiums are being amortized using the straight-line method, the remaining time to maturity of the bonds. The current year amortization is \$312,370 and is included as a reduction to interest expense.

Deferred premiums	\$ 4,791,452
Less accumulated amortization	<u>(598,384)</u>
Net unamortized premiums	<u>\$ 4,193,068</u>

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

Deferred charges	\$ 1,001,587
Less accumulated amortization	<u>(253,635)</u>
Net unamortized charges	<u>\$ 747,952</u>

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

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assistance to the District and apply the amount thereof so withheld to the payment of the defaulted principal and interest.

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

**NOTE 12 - PENSION PLANS:**

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

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5



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percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems; fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

**(B) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2020	6/30/2019
Actuarial valuation date	4/01/2019	6/30/2018
Net pension asset (liability)	\$ (5,786,023)	4,276,513
District's proportion of the Plan's net pension asset(liability)	0.0218501%	0.164607%
Change in proportion since prior measurement date	(0.0010787)	(0.000244)

For the year ended June 30, 2020, the District's recognized pension expense of \$2,150,944 and \$5,311,102 in the Statement of Activities for ERS and TRS, respectively. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 340,531	2,898,084	-	318,010
Changes of assumptions	116,503	8,078,906	100,598	1,969,866
Net difference between projected and actual earnings on pension plan investments	2,966,197	-	-	3,429,543
Changes in proportion and differences between the District's contributions and proportionate share of contributions	520,782	219,155	126,453	118,392
District's contributions subsequent to the measurement date	<u>286,755</u>	<u>2,450,856</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,230,768</u>	<u>13,647,001</u>	<u>227,051</u>	<u>5,835,811</u>

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District contributions subsequent to the measurement date will be recognized as an increase to net pension asset or as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>ERS</u>	<u>TRS</u>
2021	\$ 712,494	1,957,212
2022	959,473	145,222
2023	1,142,543	1,950,200
2024	902,452	1,306,488
2025	-	140,652
Thereafter	<u>-</u>	<u>(139,440)</u>
	<u>\$ 3,716,962</u>	<u>5,360,334</u>

**(C) Actuarial Assumptions:**

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Inflation	2.5%	2.2%
Salary increases	4.2%	1.90% - 4.72%
Investment rate of return (net of investment expense, including inflation)	6.8%	7.1%
Cost-of-living adjustments	1.3%	1.3%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on generational basis. Active member mortality rates based on Plan member experience. The previous actuarial valuation as of June 30, 2017 used the Society of Actuaries' Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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The long-term ERS expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used an long-term expected rate of return of 7.0%.

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27 - "Selection of Economic Assumptions for Measuring Pension Obligations." ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. The previous actuarial valuation as of June 30, 2017 used an long-term expected rate of return of 7.25%.

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

Measurement date	<u>ERS</u>		<u>TRS</u>	
	March 31, 2020		June 30, 2019	
	Long-term expected real rate of of return*	Target allocation	Long-term expected real rate of return*	Target allocation
Asset class:				
Domestic equity	4.05%	36.00%	6.30%	33.00%
International equity	6.15%	14.00%	7.80%	16.00%
Real estate equity	4.95%	10.00%	4.60%	11.00%
Global equity	-	-	7.20%	4.00%
Domestic fixed income	-	-	1.30%	16.00%
Global bonds	-	-	0.90%	2.00%
High-yield bonds	-	-	3.60%	1.00%
Real estate debt	-	-	2.90%	7.00%
Private equity	6.75%	10.00%	9.90%	8.00%
Private debt	-	-	6.50%	1.00%
Real assets	5.95%	3.00%	-	-
Absolute return strategies (1)	3.25%	2.00%	-	-
Opportunistic portfolio	4.65%	3.00%	-	-
Bonds and mortgages	0.75%	17.00%	-	-
Cash	0.00%	1.00%	0.30%	1.00%
Inflation - indexed bonds	0.50%	<u>4.00%</u>	-	<u>-</u>
		<u>100.00%</u>		<u>100.00%</u>

\* Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

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**(D) Discount Rate:**

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

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS ) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease <u>(5.8%)</u>	Current Assumption <u>(6.8%)</u>	1% Increase <u>(7.8%)</u>
ERS			
Employer's proportionate share of the net pension liability	\$( <u>10,618,986</u> )	( <u>5,786,023</u> )	( <u>1,334,844</u> )
TRS			
Employer's proportionate share of the net pension asset (liability)	\$( <u>19,303,734</u> )	<u>4,276,513</u>	<u>24,057,680</u>

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

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

	(Dollars in Millions)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2020	6/30/2019
Employers' total pension liability	\$ (194,596)	(119,879)
Fiduciary net position	<u>168,115</u>	<u>122,477</u>
Employers' net pension asset (liability)	\$ <u>(26,481)</u>	<u>2,598</u>
Ratio of fiduciary net position to the employers' total pension asset (liability)	86.39%	102.20%

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

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$286,755. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflow of resources in the government-wide financial statements.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$2,450,856 of employer contributions and \$212,929 of employee contributions. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflows of resources in the government-wide financial statements.

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

**Summary of Principal Plan Provisions**

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

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

**Participant Data:**

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

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

**Total OPEB Liability:**

The District’s total OPEB liability of \$114,217,116 was determined by an actuarial valuation as of July 1, 2019, calculated based on the discount rate and actuarial assumptions below and was measured as of June 30, 2020. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 75.

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**Actuarial Assumptions and Other Inputs:**

Discount rate	2.21%
20 Year Tax-Exempt Municipal Bond Yield	2.21%

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

Other Key Actuarial Assumptions:

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

Valuation date	July 1, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Salary increases including inflation	2.60%
Medical Trend Rate	6.60% to 4.10% over 56 years

**Changes in the Total OPEB Liability:**

Total OPEB liability as of June 30, 2019	\$ 106,149,556
Changes for the year:	
Service cost	4,522,789
Interest on total OPEB liability	3,826,227
Effect of demographic gains or losses	5,128,829
Effect of plan changes	(443)
Effect of assumptions changes or inputs	(2,683,249)
Benefit payments	<u>(2,726,593)</u>
Total changes	<u>8,067,560</u>
Total OPEB liability as of June 30, 2020	\$ <u>114,217,116</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ <u>136,037,799</u>	<u>114,217,116</u>	<u>97,001,807</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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

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

	<u>1%</u> <u>Decrease</u>	<u>Trend</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability	\$ <u>93,948,639</u>	<u>114,217,116</u>	<u>141,007,723</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$7,385,258. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 4,416,492	(284,758)
Changes of assumptions	-	(8,826,288)
Total	\$ <u>4,416,492</u>	<u>(9,111,046)</u>

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

<u>Year ending</u>	
2021	\$ (963,315)
2022	(963,315)
2023	(963,315)
2024	(963,315)
2025	(963,315)
Thereafter	<u>122,021</u>
Total	\$ <u>(4,694,554)</u>

**NOTE 14 - RISK MANAGEMENT:**

**General:**

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**Consortium and Self Insured Plans:**

The District participates in the East End Workers' Compensation Consortium (EEWCC), to insure workers' compensation claims. This public entity risk pool (Plan) was created under Article 5 of Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. At June 30, 2020, the EEWCC had an independent audit of its financial statements performed. A separate statement prepared as part of the audit provided details of the fund balance for each participating district. As of June 30, 2020, the statements showed the District had an allocated cash balance of \$11,056, losses incurred not paid of \$190,952 and incurred but not reported claims of \$252,910. The Districts' total unfunded liability is \$432,806. The District has a cash balance of \$573,493 in the Workers' Compensation Reserve.

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

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

Unpaid claims at beginning of fiscal year	\$ 559,532
Incurred claims and claim adjustment expenses	25,935
Claims payments	<u>(152,661)</u>
Unpaid claims at year end	\$ <u>432,806</u>

**NOTE 15 - COMMITMENTS AND CONTINGENCIES:**

**(A) Grants:**

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

**(B) Operating Leases:**

The following is a summary of obligations of government activities under operating lease payments. These operating leases include copiers and office equipment. Rental expense for the fiscal year was approximately \$158,324 including additional overage fees. The following is a summary of the obligations due in the subsequent year for the lease agreement:

Fiscal Year Ending <u>June 30,</u>	
2021	\$ 171,141
2022	154,437
2023	154,437
2024	154,437
2025	<u>154,437</u>
	\$ <u>788,889</u>



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**(C) Litigation:**

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

**NOTE 16 - DEFERRED STATE AID**

On August 13, 2020, the State of New York Division of the Budget (DOB) issued the State FY 2021 First Quarterly State Budget Financial Plan Update which notes that DOB began withholding 20 percent of most local aid payments in June 2020, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any.

In July 2020, DOB began approving General Support for Public Schools (SPS) payments to school districts (including 3609-a General Aid, 3609-b Excess Cost Aid, and 3609-d BOCES Aid payments) at 80% of the otherwise scheduled amounts.

DOB's Updated Financial Plan includes \$8.2 billion in recurring local aid reductions, and states that the earliest DOB expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State's FY 2021, and that, in the absence of unrestricted Federal aid, DOB will continue to withhold a range of payments through the second quarter of the State's FY 2021.

As a result, 20% of state aid receivable at June 30, 2020 for remaining payments to be received for the year then ended have been deferred in the balance sheet - governmental funds and the statement of revenue, expenditures and changed in fund balances - governmental funds, amounting to \$120,030. This amount has been included in revenue in the statement of activities - governmental activities for the year ended June 30, 2020. At such time as these reductions may be determined to be permanent, they will be reversed.

**NOTE 17 - SUBSEQUENT EVENTS:**

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

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

The District issued a TAN on September 28, 2020 in the amount of \$15.5 million with an interest rate of 1.5% and a premium of \$139,965 which matures on June 25, 2021.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**NOTE 18 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED:**

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

Statement No. 84 - Fiduciary Activities. Effective for fiscal years beginning after December 15, 2019.

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

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

Statement No. 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. Effective for fiscal years beginning after December 15, 2019.

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

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

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

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

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

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







**EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION ASSET/LIABILITY  
YEAR ENDED JUNE 30, 2020**

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

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

**EAST HAMPTON UNION FREE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2020**

<u>TRS System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,450,856	2,917,915	2,662,317	3,032,859	3,441,887	4,421,839	3,983,890	2,881,376	2,330,757	1,724,404
Contribution in relation to the contractually required contribution	<u>2,450,856</u>	<u>2,917,915</u>	<u>2,662,317</u>	<u>3,032,859</u>	<u>3,441,887</u>	<u>4,421,839</u>	<u>3,983,890</u>	<u>2,881,376</u>	<u>2,330,757</u>	<u>1,724,404</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	<u>\$27,662,032</u>	<u>27,475,662</u>	<u>26,852,329</u>	<u>25,877,642</u>	<u>25,956,913</u>	<u>25,231,219</u>	<u>24,516,246</u>	<u>24,335,946</u>	<u>20,978,911</u>	<u>20,004,687</u>
Contribution as a percentage of covered payroll	8.86%	10.62%	9.91%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%
 <u>ERS System</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>	 <u>2014</u>	 <u>2013</u>	 <u>2012</u>	 <u>2011</u>
Contractually required contribution	\$ 1,123,450	1,143,814	1,194,875	1,143,814	1,234,813	1,388,948	1,447,634	1,477,371	1,275,836	911,656
Contribution in relation to the contractually required contribution	<u>1,123,450</u>	<u>1,143,814</u>	<u>1,194,875</u>	<u>1,143,814</u>	<u>1,234,813</u>	<u>1,388,948</u>	<u>1,447,634</u>	<u>1,477,371</u>	<u>1,275,836</u>	<u>911,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	<u>\$ 7,784,479</u>	<u>7,899,523</u>	<u>5,005,207</u>	<u>7,439,437</u>	<u>7,344,831</u>	<u>7,692,886</u>	<u>7,599,129</u>	<u>7,397,952</u>	<u>7,311,381</u>	<u>7,316,661</u>
Contribution as a percentage of covered payroll	22.45%	14.93%	23.87%	15.38%	16.81%	18.05%	19.05%	19.97%	17.45%	12.46%

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT  
YEAR ENDED JUNE 30, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 70,947,121
Add: Prior year's encumbrances	<u>113,470</u>
Original Budget	71,060,591
Budget Revisions	<u>-</u>
Final Budget	<u>\$ 71,060,591</u>
Next year's voter approved budget	<u>\$ 71,979,573</u>

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

2020-21 Voter-approved expenditure budget	<u>\$ 71,979,573</u>
Maximum allowed ( 4% of 2020-21 budget)	<u>\$ 2,879,183</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Law:	
Unrestricted Fund balance:	
Assigned fund balance	\$ 449,455
Unassigned fund balance	<u>3,387,236</u>
Total unrestricted fund balance	3,836,691
Less:	
Appropriated fund balance	400,000
Encumbrances	<u>49,455</u>
Total adjustments	<u>449,455</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 3,387,236</u>
Actual percentage	<u>4.71%</u>



**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
JUNE 30, 2020**

<u>Project Title</u>	<u>Project #</u>	<u>Expenditures</u>					<u>Methods of Financing</u>				<u>Fund</u>	
		<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	<u>Balance June 30, 2020</u>
2014-2015 Security Elementary	0004-018	\$ 444,850	1,111,366	733,604	-	733,604	377,762	-	-	792,330	792,330	58,726
2014-2015 Security High School	0006-027	502,250	1,356,714	661,698	45,669	707,367	649,347	-	-	850,921	850,921	143,554
2014-2015 Security Middle School	0003-021	487,900	787,209	539,286	20,410	559,696	227,513	-	-	981,750	981,750	422,054
Middle School Back Wall	0003-023	1,240,000	649,000	453,728	-	453,728	195,272	-	-	978,728	978,728	525,000
Middle School Front Façade	0003-024	690,000	1,007,100	12,750	895,791	908,541	98,559	-	-	591,441	591,441	(317,100)
Middle School Kitchen	0003-025	825,027	1,197,705	11,679	928,944	940,623	257,082	-	-	1,114,143	1,114,143	173,520
HS Baseball Field '18-19	04-3	250,000	284,400	284,400	-	284,400	-	-	-	250,000	250,000	(34,400)
HS Softball Field '18-19	04-4	60,000	67,500	64,278	-	64,278	3,222	-	-	56,778	56,778	(7,500)
DW Bus Barn & Arch Fees	04-5	100,000	100,000	60,950	-	60,950	39,050	-	-	-	-	(60,950)
Land Purchase for Depot	0003-028	2,300,000	2,310,570	-	2,310,570	2,310,570	-	-	-	-	-	(2,310,570)
Bus Depot for Incidental Costs	0003-027	250,000	289,050	-	135,500	135,500	153,550	-	-	250,000	250,000	114,500
High School Kitchen Construction	0003-026	100,000	100,000	-	43,200	43,200	56,800	-	-	100,000	100,000	56,800
Energy Performance Contract	0200-628	4,656,865	4,656,865	-	2,378,810	2,378,810	2,278,055	4,656,865	-	-	4,656,865	2,278,055
<b>TOTAL</b>		<u>\$ 11,906,892</u>	<u>13,917,479</u>	<u>2,822,373</u>	<u>6,758,894</u>	<u>9,581,267</u>	<u>4,336,212</u>	<u>4,656,865</u>	<u>-</u>	<u>5,966,091</u>	<u>10,622,956</u>	<u>1,041,689</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
AS OF JUNE 30, 2020**

<b>Capital assets, net</b>		\$84,254,486
<b>Deduct:</b>		
Short-term portion of bonds payable	\$ 3,535,000	
Long-term portion of bonds payable	33,345,000	
Short-term portion of energy performance contract	109,086	
Long-term portion of energy performance contract	4,496,347	
Unamortized Bond Premium	4,193,068	
Less:		
Deferred loss on refunding	(747,952)	
Unspent energy performance contract proceeds	<u>(2,278,055)</u>	<u>42,652,494</u>
<b>Investment in capital assets, net of related debt</b>		<u><u>\$41,601,992</u></u>

EAST HAMPTON UNION FREE  
SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2020

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Hampton Union Free School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control Over Financial Reporting

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

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