

EAST HAMPTON UNION FREE
SCHOOL DISTRICT

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

June 30, 2021

EAST HAMPTON UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Hampton Union Free School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 5, 2021

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

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

1. FINANCIAL HIGHLIGHTS

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

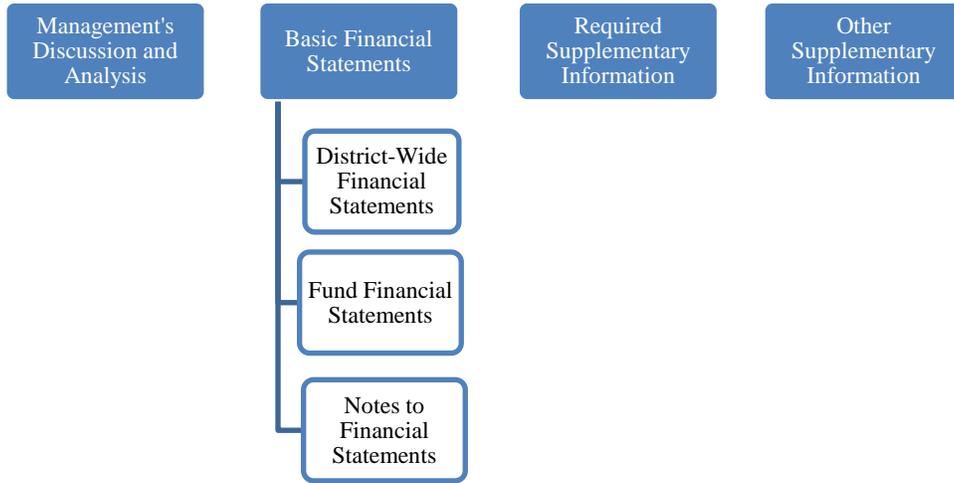
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

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

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



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

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

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

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

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

A. District-Wide Statements

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

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

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

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

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

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

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

B. Fund Financial Statements

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

The District has two kinds of funds:

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

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

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

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

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

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

* Restated for change in accounting principle.

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

B. Changes in Net Position

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

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

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

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

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

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

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

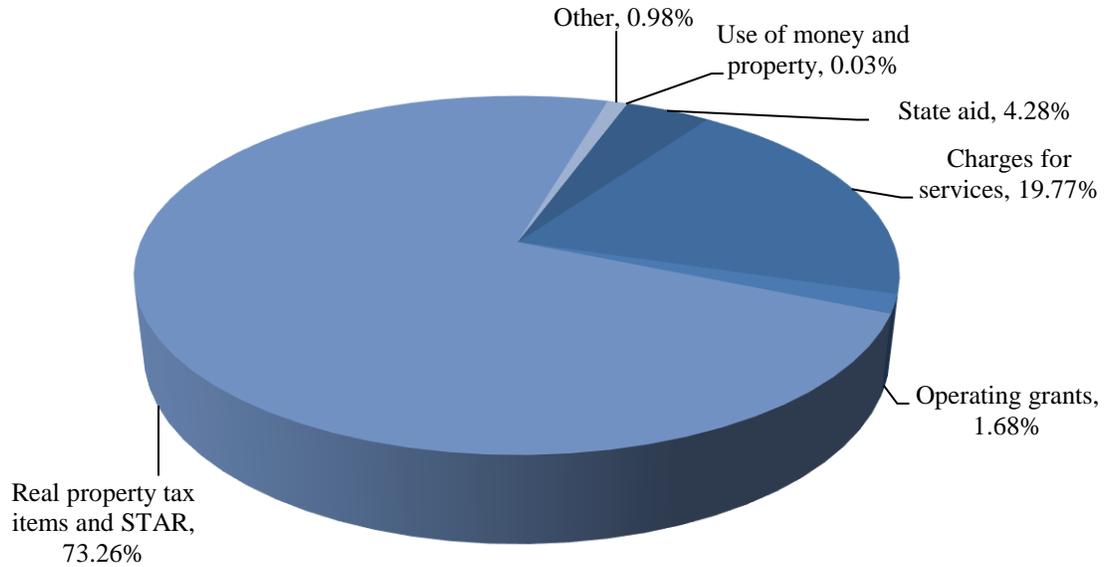
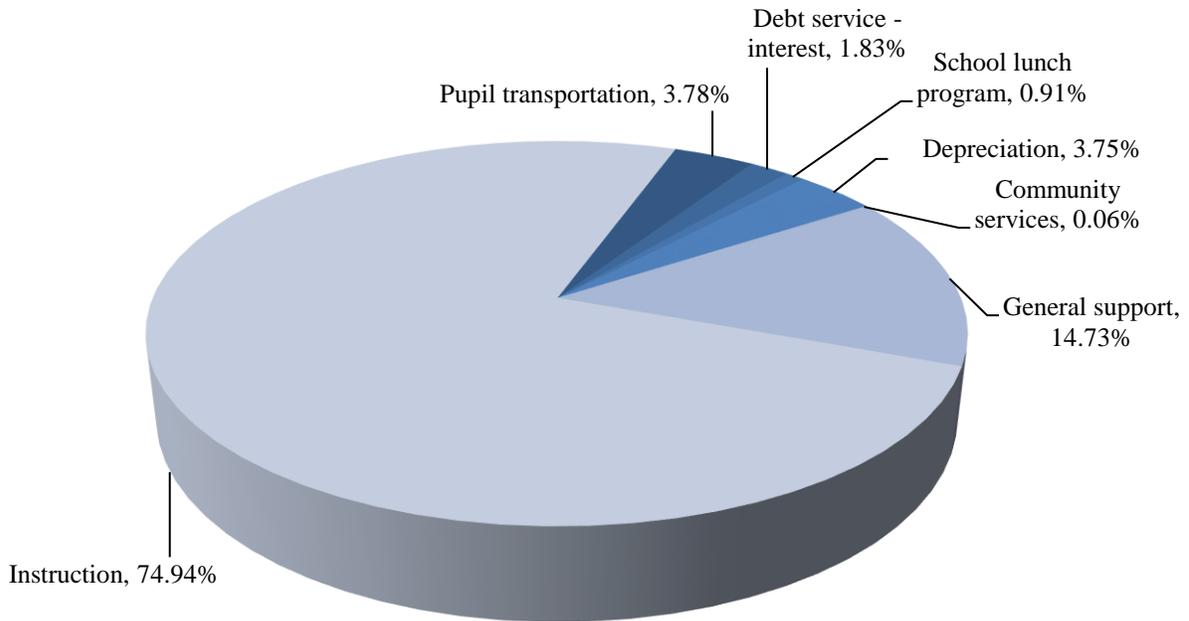


Table A-6: Expenses for Fiscal Year 2021 (See Tables A-4 and A-7)



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

C. Governmental Activities

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

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

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

Table A-7: Net Cost of Governmental Activities

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

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

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

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

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

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

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

* Restated for change in accounting principle.

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

A. General Fund

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

B. School Lunch Fund

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

C. Debt Service Fund

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

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

D. Capital Projects Fund

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

E. Miscellaneous Fund

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

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

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

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

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

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

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

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

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

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

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

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

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

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

B. Long-Term Debt

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

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

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

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

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

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

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

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

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

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

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

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

Total governmental fund balances \$ 31,199,797

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

(A) Reporting entity:

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

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

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

(i) Extraclassroom Activity Funds

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

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

(B) Joint venture:

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

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

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

(C) Basis of presentation:

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

(i) District-Wide Financial Statements:

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

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

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

(ii) Fund Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(D) Measurement focus and basis of accounting:

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

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

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

(E) Property taxes:

(i) Calendar

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

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

(ii) Enforcement

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

(F) **Restricted resources:**

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

(G) **Interfund transactions:**

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

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

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

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

(H) **Estimates:**

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

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

(I) Fair value measurement:

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

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

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

(J) Cash and cash equivalents:

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

(K) Accounts receivable:

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

(L) Inventories:

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

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

(M) Capital assets:

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

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

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

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

(N) Deferred outflows and inflows of resources:

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

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

(O) Vested employee benefits:

Compensated absences:

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

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

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

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

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

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

(P) Other benefits:

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

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

(Q) Short-term debt:

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

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

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

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

(R) Accrued liabilities and long-term obligations:

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

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

(S) Equity Classifications:

(i) District-Wide Statements:

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

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

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

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

(ii) Funds statements:

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

Nonspendable - includes amounts that cannot be spent because they are either not 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 \$5,631.

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

Unemployment Insurance

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

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

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

Capital

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

Property Loss and Liability Claims

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

Retirement Contributions

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

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

Workers' Compensation

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

Employee Benefit Accrued Liability

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

Debt Service

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

Scholarships

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

Extraclassroom Activities

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

Restricted fund balance includes the following:

General Fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Long-term revenue differences:

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

(ii) Capital related differences:

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

(iii) Long-term debt transaction differences:

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

(iv) Employee benefit allocations:

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

(A) Budgets:

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

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

Appropriations are adopted at the program line item level.

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

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

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

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

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

(B) Encumbrances:

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

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

(A) Cash:

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

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

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

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

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

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

(B) Investments:

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

NOTE 5 - PARTICIPATION IN BOCES:

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

NOTE 6 - FEDERAL AND STATE RECEIVABLE:

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

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

District management has deemed these amounts to be fully collectible.

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

NOTE 7 - DUE FROM OTHER GOVERNMENTS:

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

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

NOTE 8 - CAPITAL ASSETS:

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

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

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

NOTE 9 - INTERFUND TRANSACTIONS:

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

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

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

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

NOTE 10 - SHORT-TERM DEBT:

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

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

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

Authorized and Unissued Debt

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

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

NOTE 11 - LONG-TERM LIABILITIES:

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

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

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

Existing serial bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Serial Bond - 2021	2/3/21	2/1/41	1.25% - 1.60%	\$ 8,900,000
Serial Bond - 2017	12/28/17	6/1/30	2.45 - 5.00%	33,345,000
Unamortized bond premium				<u>3,751,391</u>
				<u>\$ 45,996,391</u>

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

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

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

Existing energy performance contracts are comprised of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12 - PENSION PLANS:

(A) Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

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

At June 30, 2021, the District reported the following liabilities for its proportionate share of the net pension liabilities for each of the Systems. The net pension liabilities was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation. The District's proportion of the net pension liabilities was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2021	6/30/2020
Actuarial valuation date	4/01/2020	6/30/2019
Net pension liabilities	\$ 21,140	4,504,171
District's proportion of the Plan's net pension liabilities	0.0212309%	0.163001%
Change in proportion since prior measurement date	(0.00061292)	(0.001606)

For the year ended June 30, 2021, the District's recognized pension expense of \$686,860 and \$6,116,745 in the Statement of Activities for ERS and TRS, respectively. At June 30, 2021 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 258,182	3,946,555	-	230,830
Changes of assumptions	3,887,047	5,696,728	73,311	2,030,586
Net difference between projected and actual earnings on pension plan investments	-	2,941,619	6,072,783	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	539,623	246,749	138,246	93,300
District's contributions subsequent to the measurement date	<u>318,101</u>	<u>2,626,989</u>	<u>-</u>	<u>-</u>
Total	\$ <u>5,002,953</u>	<u>15,458,640</u>	<u>6,284,340</u>	<u>2,354,716</u>

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

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

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

(C) **Actuarial Assumptions:**

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

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

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

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

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

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(D) Discount Rate:

The discount rate used to calculate the total pension liabilities was 5.9% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rates assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the Systems' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

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

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

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset (liability)	\$ (5,867,772)	(21,140)	5,370,822
TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
Employer's proportionate share of the net pension asset (liability)	\$(28,451,297)	(4,504,171)	15,593,536

(F) Pension Plan Fiduciary Net Position:

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

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

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

(G) Payables to the Pension Plans:

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

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

NOTE 13 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS:

Summary of Principal Plan Provisions

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

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

Participant Data:

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

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

Total OPEB Liability:

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions and Other Inputs:

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

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

Other Key Actuarial Assumptions:

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

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

Changes in the Total OPEB Liability:

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

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ <u>142,725,141</u>	<u>119,865,004</u>	<u>101,822,086</u>

**EAST HAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rates

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

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

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

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

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

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

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

NOTE 14 - RISK MANAGEMENT:

General:

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

**EAST HAMPTON UNION FREE SCHOOL DISTRICT
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Consortium and Self Insured Plans:

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

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

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

(A) Grants:

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

(B) Operating Leases:

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

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

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

(C) **Litigation:**

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

NOTE 16 - SUBSEQUENT EVENTS:

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

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

NOTE 17 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED:

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

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

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

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

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

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

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

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

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

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

NOTE 18 - CUMULATIVE EFFECT OF ACCOUNTING PRINCIPLE

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

Governmental Funds:

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

Governmental Activities:

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

Fiduciary Activities:

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

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

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

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

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

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

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

Notes to schedule:

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

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

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

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

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

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

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

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

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

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

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

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

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

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

EAST HAMPTON UNION FREE
SCHOOL DISTRICT

Federal Grant Compliance Audit

June 30, 2021

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Hampton Union Free School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2021-001.

The District's Response to the Finding

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 5, 2021

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

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

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 5, 2021

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

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

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

(1) BASIS OF PRESENTATION:

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

(3) INDIRECT COSTS:

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

(4) SUBRECIPIENTS:

No amounts were provided to subrecipients.

(5) OTHER DISCLOSURES:

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

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

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

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Federal Awards:

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

Part II - FINANCIAL STATEMENT FINDINGS

See 2021-001 on page 71.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No reportable findings and questioned costs.

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

Reference: 2021-001

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

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

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

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

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

Management Response - See Corrective Action Plan on page 73

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

Reference: 2020-001

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

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

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

Name of Auditee: East Hampton Union Free School District

Name of Audit Firm: EFPR Group, CPAs, PLLC

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

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

Telephone: (631) 329-4105

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

(1) Finding 2021-001

(a) Comments on the finding and recommendation:

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

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

(b) Action taken:

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