



**SOUTHAMPTON
UNION FREE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2021

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Qualified Opinion on the Extraclassroom Activities Fund

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

Qualified Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than extraclassroom activities fund, and the fiduciary fund of the Southampton 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 4 through 17 and 57 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southampton Union Free School District's basic financial statements. The other supplementary information on pages 62 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the Southampton 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 Southampton Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southampton Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 1, 2021

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southampton Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021 in comparison with the year ended June 30, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

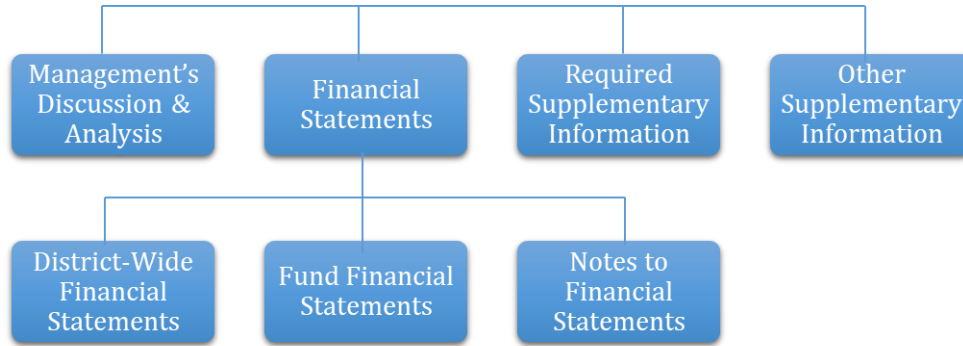
Key financial highlights for fiscal year 2021 are as follows:

- The District's total net position, as reflected in the district-wide financial statements decreased by \$15,983,867 to a net position deficit of \$6,145,779, due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2020 was restated and increased by \$390,481, which is due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$91,735,415. Of this amount, \$12,758,960 was offset by program charges for services, and operating grants and contributions. General revenues of \$62,992,588 amount to 83.2% of total revenues.
- The District's general fund fund balance, as reflected in the fund financial statements was \$33,452,452 at June 30, 2021. This balance represents a \$551,966 increase (1.68%) over the prior year due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Nonspendable fund balance increased by \$153,424, which represents the change in prepaids.
 - Restricted fund balances increased by \$473,127 due to funding of reserves and interest allocated to the reserves, offset by the use of reserves.
 - Assigned fund balance decreased \$120,325, as the District decreased the fund balance appropriated to fund the 2022 budget. This decrease was offset by an increase in assigned, unappropriated fund balance related to encumbrances.
 - Unassigned fund balance increased by \$45,740 to \$2,959,996.
- The District's 2021 property tax levy of \$59,440,843 was a 2.13% increase over the 2020 tax levy, which was less than the allowable tax cap levy of 4.2%.
- The District was awarded funding under the Coronavirus Aid Relief and Economic Security (CARES) Act through the Elementary and Secondary School Emergency Relief (ESSER) and the Governor's Emergency Education Relief (GEER) Program in the amounts of \$141,584 and \$23,996, respectively. During the fiscal year ended June 30, 2021, the District expended \$163,315 in total for both ESSER and GEER and still have available funding of \$2,265 through September 2022.
- On May 18, 2021, the District's residents voted and authorized the District to expend \$3,497,500 from the 2007 and 2017 capital reserves for the purpose of district-wide facilities improvements.
- The budget for the 2021-2022 school year in the amount of \$73,999,900 was approved by the voters on May 18, 2021.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management’s Discussion and Analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of the District’s school buildings and other facilities.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds: general fund, special aid fund, school food service fund, capital projects fund, extraclassroom activities fund and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

Certain balances at June 30, 2020 were adjusted as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, which required the District to record activities in the Governmental Funds that had previously been recorded in the Fiduciary Funds. Consequently, the District now includes the agency activities in the general fund, and the extraclassroom activities and scholarships funds as separate

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

governmental funds. These changes resulted in an increase in total net position. The following is a summary of these changes:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current and Other Assets	\$ 44,171,258	\$ 43,722,618	\$ 448,640
Current and Other Liabilities	6,239,113	6,180,954	58,159
Restricted Net Position	32,834,766	32,541,906	292,860
Unrestricted Net Position (Deficit)	(63,185,042)	(63,282,663)	97,621
Total Net Position	9,838,088	9,447,607	390,481

The District's total net position decreased by \$15,983,867 between fiscal year 2021 and 2020. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 48,712,027	\$ 44,171,258	\$ 4,540,769	10.28 %
Capital Assets, Net	65,513,095	67,410,994	(1,897,899)	(2.82)%
Net Pension Asset - Proportionate Share		4,208,979	(4,208,979)	(100.00)%
Total Assets	114,225,122	115,791,231	(1,566,109)	(1.35)%
Deferred Outflows of Resources	63,380,544	60,580,273	2,800,271	4.62 %
Liabilities				
Current and Other Liabilities	6,734,984	6,239,113	495,871	7.95 %
Long-Term Liabilities	32,578,530	35,930,250	(3,351,720)	(9.33)%
Net Pension Liabilities - Proportionate Share	4,521,299	7,479,868	(2,958,569)	(39.55)%
Total OPEB Liability	125,433,697	106,297,059	19,136,638	18.00 %
Total Liabilities	169,268,510	155,946,290	13,322,220	8.54 %
Deferred Inflows of Resources	14,482,935	10,587,126	3,895,809	36.80 %
Net Position				
Net Investment in Capital Assets	40,981,603	40,188,364	793,239	1.97 %
Restricted	36,409,291	32,834,766	3,574,525	10.89 %
Unrestricted (deficit)	(83,536,673)	(63,185,042)	(20,351,631)	(32.21)%
Total Net Position	\$ (6,145,779)	\$ 9,838,088	\$ (15,983,867)	(162.47)%

The increase in current and other assets resulted from an increase in the District's cash position, offset by a decrease in amounts due from state and federal.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The decrease in capital assets, net is attributable to current year depreciation expense in excess of capital improvement expenditures. The accompanying Notes to Financial Statements Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share was eliminated in the current year as the New York State Teachers' Retirement System's experienced a loss, resulting in a net pension liability – proportionate share. The accompanying Notes to Financial Statements Note 14 "Pension Plans – New York State" provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years, and the amount of deferred charges from bond refundings that are being amortized over the remaining term of the bonds.

The increase in current and other liabilities was primarily due to increases in accounts payable and the amounts due to the teachers' and employees' retirement systems, offset by decreases in due to other governments and compensated absences payable.

The decrease in long-term liabilities is primarily the result of scheduled principal payments and the amortization of premiums on bonds, installment purchase debt and energy performance contract payables. These reductions were offset by the issuance of two installment purchase debts for computer equipment. In addition, other long-term liabilities for compensated absences decreased, while workers' compensation increased. The accompanying Notes to Financial Statements, Note 13 "Long-Term Liabilities", provides additional information.

Net pension liabilities – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The District's share of the New York State Teachers' Retirement System's collective pension liability is also included in the current year balance. The accompanying Notes to Financial Statements Note 14 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability increased based on the updated actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This amount increased over the prior year. The increase to the restricted amount is due to Board approved additions and interest earnings, net of the voter and Board approved use of restricted amounts to pay current period expenses.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Changes in Net Position

The June 30, 2020 revenues and expenses were increased, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*, as follows:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Charges for Services	\$ 10,669,282	\$ 10,612,243	\$ 57,039
Operating Grants & Contributions	2,168,244	2,140,794	27,450
Instruction Expense	61,659,287	61,565,790	93,497

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 10,399,847	\$ 10,669,282	\$ (269,435)	(2.53)%
Operating Grants & Contributions	2,359,113	2,168,244	190,869	8.80 %
General Revenues				
Property Taxes & STAR	59,441,584	58,199,587	1,241,997	2.13 %
State Sources	2,573,399	2,793,742	(220,343)	(7.89)%
Other	977,605	1,167,143	(189,538)	(16.24)%
Total Revenues	<u>75,751,548</u>	<u>74,997,998</u>	<u>753,550</u>	1.00 %
Expenses				
General Support	14,978,566	12,650,476	2,328,090	18.40 %
Instruction	67,174,572	61,659,287	5,515,285	8.94 %
Pupil Transportation	5,235,206	4,713,125	522,081	11.08 %
Community Services	2,395,166	2,174,441	220,725	10.15 %
Debt Service - Interest	713,481	908,866	(195,385)	(21.50)%
Food Service Program	1,238,424	1,106,767	131,657	11.90 %
Total Expenses	<u>91,735,415</u>	<u>83,212,962</u>	<u>8,522,453</u>	10.24 %
Change in Net Position	<u>\$(15,983,867)</u>	<u>\$ (8,214,964)</u>	<u>\$ (7,768,903)</u>	94.57 %

The change in net position represents the District's operating profit (loss) using the economic resources measurement focus and the accrual basis of accounting. For the year ended June 30, 2021, the loss was \$15,983,867 compared to a loss of \$8,214,964 in the prior year.

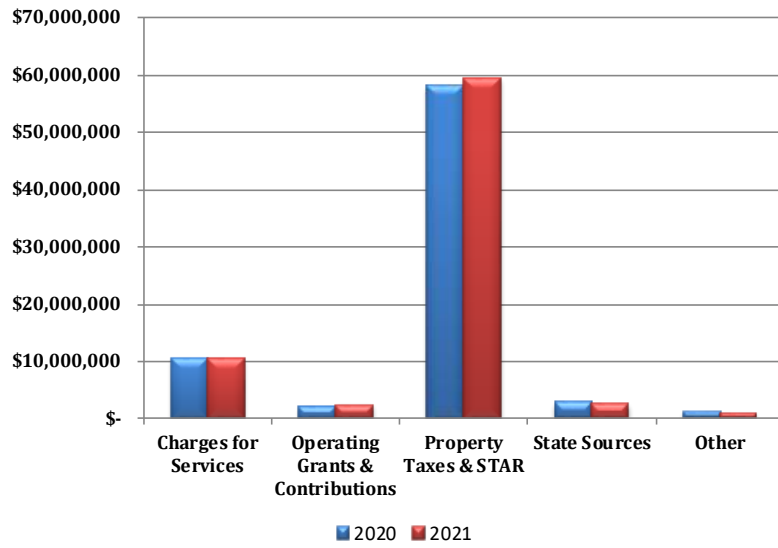
The District's revenues increased by \$753,550 or 1.00%. This increase was primarily the result of the increase in property taxes, offset by decreases in charges for services and state sources.

The District's total expenses for the year increased by \$8,522,453 or 10.24%. The increase in expenses is primarily due to increases in all functional areas, with the exception to debt service – interest. The primary reason for the increase in those areas is the impact of the net change in pension expense and other postemployment benefits costs.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

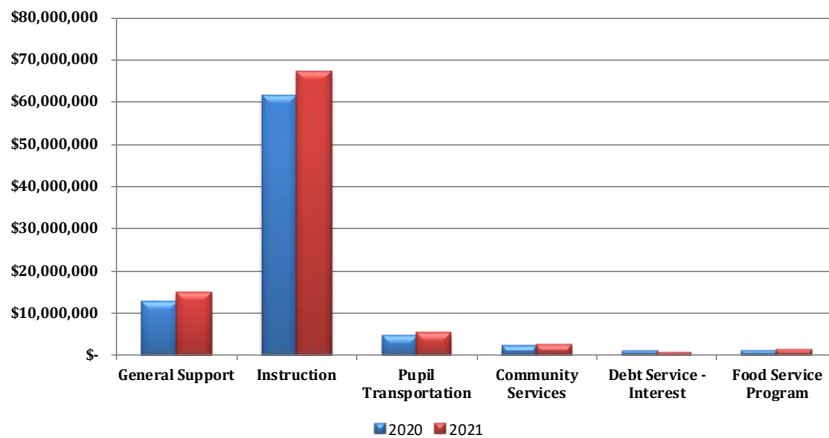
As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 78.5% and 77.6% of the total for the years ended June 30, 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 73.3% and 74.1% of the total for the years ended June 30, 2021 and 2020, respectively).

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants & Contributions	Property Taxes & STAR	State Sources	Other
2020	14.2%	2.9%	77.6%	3.7%	1.6%
2021	13.7%	3.1%	78.5%	3.4%	1.3%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
2020	15.2%	74.1%	5.7%	2.6%	1.1%	1.3%
2021	16.3%	73.3%	5.7%	2.6%	0.8%	1.3%

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$42,047,775, which is an increase of \$4,081,343 over the prior year. This increase is attributable to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities and scholarships funds, as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*. A summary of the change in the components of fund balance by fund is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Prepays	\$ 346,499	\$ 193,075	\$ 153,424	79.46 %
Restricted:				
Workers' Compensation	606,018	405,816	200,202	49.33 %
Unemployment Insurance	198,744	198,710	34	0.02 %
Retirement Contribution				
Teachers' retirement system	1,281,912	1,030,686	251,226	24.37 %
Employees' retirement system	1,003,085	1,000,891	2,194	0.22 %
Insurance	364,020	363,908	112	0.03 %
Employee Benefit Accrued Liability	5,198,097	5,187,414	10,683	0.21 %
Capital	17,855,801	16,818,296	1,037,505	6.17 %
Repair	1,960,691	2,989,520	(1,028,829)	(34.41)%
Assigned:				
Appropriated fund balance	1,000,000	1,500,000	(500,000)	(33.33)%
Unappropriated fund balance	677,589	297,914	379,675	127.44 %
Unassigned: Fund balance	2,959,996	2,914,256	45,740	1.57 %
	<u>33,452,452</u>	<u>32,900,486</u>	<u>551,966</u>	1.68 %
School Food Service Fund				
Nonspendable: Inventory	29,231	31,997	(2,766)	(8.64)%
Assigned: Unappropriated fund balance	66,009	96,803	(30,794)	(31.81)%
	<u>95,240</u>	<u>128,800</u>	<u>(33,560)</u>	(26.06)%
Capital Projects Fund				
Restricted:				
Capital	7,659,899	4,546,665	3,113,234	68.47 %
Unspent bond proceeds	471,576		471,576	N/A
	<u>8,131,475</u>	<u>4,546,665</u>	<u>3,584,810</u>	78.84 %
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	87,584	97,621	(10,037)	(10.28)%
Scholarships Fund				
Restricted: Scholarships	281,024	292,860	(11,836)	(4.04)%
Total Fund Balance	<u>\$ 42,047,775</u>	<u>\$ 37,966,432</u>	<u>\$ 4,081,343</u>	10.75 %

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The net change in the general fund – fund balance is an increase of \$551,966, compared to an increase of \$2,462,364 in the prior year. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

Revenues and other financing sources increased \$408,482 over the prior year. The increase resulted from increases in property taxes revenue, offset by the decreases in use of money and property, and operating transfers in.

Expenditures and other financing uses increased by \$2,318,880 over the prior year, which was mainly attributed to increases in general support, employee benefits and operating transfers out. These increases were offset by decreases in instruction, pupil transportation and debt service.

The following is a summary of the District's general fund restricted fund balance activity:

	Balance @ June 30, 2020	Use of Reserves	Interest	Transfer of Unused Reserve Funds	Funding	Balance @ June 30, 2021	Appropriated for June 30, 2022
Workers' Compensation	\$ 405,816	\$	\$ 202	\$	\$ 200,000	\$ 606,018	\$ 200,000
Unemployment Insurance	198,710		34		-	198,744	
Retirement Contribution							
TRS	1,030,686		1,226		250,000	1,281,912	
ERS	1,000,891		2,194		-	1,003,085	
Insurance	363,908		112		-	364,020	
EBALR	5,187,414		10,683		-	5,198,097	
Capital	16,818,296	(3,497,500)	234,162	300,843	4,000,000	17,855,801	
Repair	2,989,520	(1,100,000)	2,249		68,922	1,960,691	
	<u>\$27,995,241</u>	<u>\$(4,597,500)</u>	<u>\$ 250,862</u>	<u>\$ 300,843</u>	<u>\$ 4,518,922</u>	<u>\$ 28,468,368</u>	<u>\$ 200,000</u>

Additional detail regarding capital reserves can be found in Note 20 "Restricted for Capital Reserve".

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$33,560, which represents the fund's operating loss for the year ended June 30, 2021. In the prior year, the food service program operated at a loss of \$66,661.

C. Capital Projects Fund

The increase in the fund balance of the capital projects fund of \$3,584,810 resulted from other financing sources exceeding expenditures for capital outlays and other financing uses. The District issued installment purchase debt totaling \$617,749 and transferred \$3,497,500 from the general fund based on voter approved use of the capital reserves. These other financing sources were offset by expenditures on capital projects of \$229,596 and the transfer of \$300,843 of unused capital reserve funds to the general fund.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The following is a summary of the District's capital projects fund restricted fund balance activity:

Reserve	Balance @ June 30, 2020	Use of Reserves	Transfer of Unused Reserve Funds	Funding	Balance @ June 30, 2021
May 2007	\$ 4,546,665	\$ (83,424)	\$ (300,843)	\$ 1,521,277	\$ 5,683,675
May 2017	-	-	-	1,976,223	1,976,224
	<u>\$ 4,546,665</u>	<u>\$ (83,424)</u>	<u>\$ (300,843)</u>	<u>\$ 3,497,500</u>	<u>\$ 7,659,899</u>

D. Extraclassroom Activities Fund

The net change in the extraclassroom activities fund – fund balance is a decrease of \$10,037, as expenditures of \$70,440 exceed revenues of \$60,403.

E. Scholarships Fund

The net change in the scholarships fund – fund balance is a decrease of \$11,836. Scholarship awards of \$40,192 exceeded contributions and interest earning of \$27,706 and \$650, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021, was \$72,856,394. This amount was increased by encumbrances carried forward from the prior year in the amount of \$297,914 and budget revisions of \$4,763,080 for a final budget of \$77,917,388.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was property taxes and STAR of \$59,440,844.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening Unassigned Fund Balance	\$ 2,914,256
Revenues Over Budget	2,225,709
Expenditures and Encumbrances Under Budget	4,044,082
Unused Reserves	(300,843)
Change in Nonspendable Fund Balance	(153,424)
Allocations to Reserves	(4,769,784)
Appropriated to Fund the June 30, 2022 Budget	<u>(1,000,000)</u>
Closing Unassigned Fund Balance	<u>\$ 2,959,996</u>

Opening, Unassigned Fund Balance

The \$2,914,256 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$71,521,974. Actual revenues recognized for the year were \$73,747,683. The excess of actual revenue over estimated or budgeted revenue was \$2,225,709, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures, including prior year open encumbrances as of June 30, 2020 and budget revisions, was \$77,917,388. Actual expenditures as of June 30, 2021 were \$73,195,717 and outstanding encumbrances were \$677,589. Combined, the expenditures plus encumbrances for 2020-2021 were \$73,873,306. The final budget variance was \$4,044,082, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Unused Reserves

In previous budgets, the voters approved the use of the 2007 ten year capital reserve. These projects have been completed and \$300,843 has been returned to the general fund capital reserves for future use.

Change in Nonspendable Fund Balance

The District prepaid various insurance premiums at June 30, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Accordingly, an equal amount of fund balance is classified as Nonspendable. The increase in nonspendable fund balance decreases unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$1,000,000 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the District will begin the 2021-2022 fiscal year with an unassigned fund balance of \$2,959,996. This unassigned portion is equal to the permissible 4.0% statutory maximum allowed by NYS Real Property Tax Law §1318.

5. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$2,291,683 recorded for the year ended June 30, 2021 in excess of capital additions of \$393,784. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Land	\$ 455,700	\$ 455,700	\$ -
Construction in progress	266,117	2,027,389	(1,761,272)
Buildings and improvements	61,555,764	61,529,358	26,406
Site improvements	1,153,957	1,254,586	(100,629)
Furniture and equipment	<u>2,081,557</u>	<u>2,143,961</u>	<u>(62,404)</u>
Capital assets, net	<u>\$ 65,513,095</u>	<u>\$ 67,410,994</u>	<u>\$ (1,897,899)</u>

B. Debt Administration

At June 30, 2021, the District had total debt payable of \$25,348,662. The decrease in outstanding debt represents principal payments on outstanding debt offset by the issuance of two installment debts during the 2020-2021 fiscal year. A summary of the outstanding debt at June 30, 2021 and 2020 is as follows:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Bonds Payable				
5/9/2017	2.50 - 5.00%	\$ 10,475,000	\$ 11,680,000	\$ (1,205,000)
12/28/2017	2.125-4.00%	<u>12,560,000</u>	<u>13,865,000</u>	<u>(1,305,000)</u>
		<u>\$ 23,035,000</u>	<u>\$ 25,545,000</u>	<u>\$ (2,510,000)</u>
Installment Purchase Debt				
6/16/2017	2.68%	\$	\$ 85,733	\$ (85,733)
6/13/2018	2.71%	88,889	175,416	(86,527)
6/14/2019	2.42%	152,374	225,856	(73,482)
7/27/2020	2.25%	306,374		306,374
6/11/2021	1.09%	<u>269,533</u>		<u>269,533</u>
		<u>\$ 817,170</u>	<u>\$ 487,005</u>	<u>\$ 330,165</u>
Energymet Performance Contract				
6/21/2013	2.26%	<u>\$ 1,496,492</u>	<u>\$ 1,677,630</u>	<u>\$ (181,138)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aaa. The District's outstanding serial bonds at June 30, 2021 are approximately 0.80% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liability, net pension liabilities - proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Compensated absences payable	\$ 4,289,854	\$ 4,905,888	\$ (616,034)
Workers' compensation liability	1,180,127	1,079,545	100,582
Net pension liabilities - proportionate share	4,521,299	7,479,868	(2,958,569)
Total OPEB liability	<u>125,433,697</u>	<u>106,297,059</u>	<u>19,136,638</u>
	<u>\$ 135,424,977</u>	<u>\$ 119,762,360</u>	<u>\$ 15,662,617</u>

6. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021 for the year ending June 30, 2022, is \$73,999,900. The increase in the budget was \$1,143,507 or 1.57% over the previous year's budget, principally in the instruction area of the budget.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District budgeted revenues other than property taxes and STAR at a \$950,664 increase over the prior year's estimate. The assigned appropriated fund balance applied to the budget in the amount of \$1,000,000 is a \$500,000 decrease from the previous year. Additionally, the District plans on appropriating \$200,000 from reserves. A property tax increase of \$492,843 (0.83%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

The property tax cap, uncertainty in state aid and federal funding, as well as the continuing impact of the COVID-19 pandemic, will impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 2.09%. The District's 2021-2022 property tax increase of 0.83% was less than the tax cap and did not require an override vote.

7. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Jean E. Mingot
Assistant Superintendent for Business
Southampton Union Free School District
70 Leland Lane
Southampton, NY 11968-5089

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

ASSETS	
Cash	
Unrestricted	\$ 5,045,746
Restricted	36,880,867
Receivables	
Accounts receivable	24,197
Due from state and federal	5,093,462
Due from other governments	1,292,025
Prepays	346,499
Inventories	29,231
Capital assets not being depreciated	721,817
Capital assets being depreciated, net of accumulated depreciation	<u>64,791,278</u>
Total Assets	<u>114,225,122</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on advance refunding of bonds	389,947
Pensions	21,862,834
Other postemployment benefits	<u>41,127,763</u>
Total Deferred Outflows of Resources	<u>63,380,544</u>
LIABILITIES	
Payables	
Accounts payable	1,459,497
Accrued liabilities	224,536
Due to other governments	653,518
Due to teachers' retirement system	2,917,714
Due to employees' retirement system	518,346
Compensated absences payable	626,145
Other liabilities	60,358
Unearned credits: Collections in advance	274,870
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,069,259
Installment purchase debt	315,549
Energy performance contract payable	185,257
Compensated absences payable	250,000
Due and payable after one year	
Bonds payable, net	21,725,628
Installment purchase debt	501,621
Energy performance contract payable	1,311,235
Compensated absences payable	4,039,854
Workers' compensation liabilities	1,180,127
Net pension liabilities - proportionate share	4,521,299
Total other postemployment benefits liability	<u>125,433,697</u>
Total Liabilities	<u>169,268,510</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	10,574,972
Other postemployment benefits	<u>3,907,963</u>
Total Deferred Inflows of Resources	<u>14,482,935</u>
NET POSITION	
Net investment in capital assets	<u>40,981,603</u>
Restricted	
Workers' compensation	606,018
Unemployment insurance	198,744
Retirement contribution	
Teachers' retirement system	1,281,912
Employees' retirement system	1,003,085
Insurance	364,020
Employee benefit accrued liability	5,198,097
Capital	25,515,700
Repairs	1,960,691
Scholarships	<u>281,024</u>
	<u>36,409,291</u>
Unrestricted (deficit)	<u>(83,536,673)</u>
Total Net Position	<u>\$ (6,145,779)</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	
FUNCTIONS/PROGRAMS				
General support	\$ 14,978,566	\$	\$ 88,315	\$ (14,890,251)
Instruction	67,174,572	10,309,865	1,615,144	(55,249,563)
Pupil transportation	5,235,206			(5,235,206)
Community services	2,395,166			(2,395,166)
Debt service - interest	713,481			(713,481)
Food service program	1,238,424	89,982	655,654	(492,788)
Total Functions and Programs	<u>\$ 91,735,415</u>	<u>\$ 10,399,847</u>	<u>\$ 2,359,113</u>	<u>(78,976,455)</u>
 GENERAL REVENUES				
Real property taxes				59,270,874
Other tax items				371,985
Use of money and property				296,096
Sale of property and compensation for loss				147,731
Miscellaneous				285,101
State sources				2,573,399
Medicaid reimbursement				47,402
Total General Revenues				<u>62,992,588</u>
 Change in Net Position				(15,983,867)
 Total Net Position - Beginning of year, as restated				<u>9,838,088</u>
 Total Net Position - End of year				<u><u>\$ (6,145,779)</u></u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 4,677,158	\$ 263,451	\$ 17,553		\$ 87,584		\$ 5,045,746
Restricted	32,075,475			4,524,368		281,024	36,880,867
Receivables							
Accounts receivable	22,254		1,943				24,197
Due from other funds	1,927,678		938	3,497,500			5,426,116
Due from state and federal	3,024,100	1,793,721	156,947	118,694			5,093,462
Due from other governments	1,275,879	16,146					1,292,025
Prepays	346,499						346,499
Inventories			29,231				29,231
Total Assets	<u>\$ 43,349,043</u>	<u>\$ 2,073,318</u>	<u>\$ 206,612</u>	<u>\$ 8,140,562</u>	<u>\$ 87,584</u>	<u>\$ 281,024</u>	<u>\$ 54,138,143</u>
LIABILITIES							
Payables							
Accounts payable	\$ 1,449,480	\$ 8,441	\$ 1,576				\$ 1,459,497
Accrued liabilities	152,696	731	377				153,804
Due to other funds	3,498,438	1,827,591	91,000	9,087			5,426,116
Due to other governments	652,814		704				653,518
Due to teachers' retirement system	2,917,714						2,917,714
Due to employees' retirement system	518,346						518,346
Compensated absences payable	626,145						626,145
Other liabilities	60,358						60,358
Unearned credits							
Collections in advance	20,600	236,555	17,715				274,870
Total Liabilities	<u>9,896,591</u>	<u>2,073,318</u>	<u>111,372</u>	<u>9,087</u>	<u>-</u>	<u>-</u>	<u>12,090,368</u>
FUND BALANCES							
Nonspendable:							
Prepays	346,499						346,499
Inventories			29,231				29,231
Restricted:							
Workers' compensation	606,018						606,018
Unemployment insurance	198,744						198,744
Retirement contribution							
Teachers' retirement system	1,281,912						1,281,912
Employees' retirement system	1,003,085						1,003,085
Insurance	364,020						364,020
Employee benefit accrued liability	5,198,097						5,198,097
Capital	17,855,801			7,659,899			25,515,700
Repairs	1,960,691						1,960,691
Scholarships						281,024	281,024
Unspent debt proceeds				471,576			471,576
Assigned:							
Appropriated fund balance	1,000,000						1,000,000
Unappropriated fund balance	677,589		66,009		87,584		831,182
Unassigned: Fund balance	2,959,996						2,959,996
Total Fund Balances	<u>33,452,452</u>	<u>-</u>	<u>95,240</u>	<u>8,131,475</u>	<u>87,584</u>	<u>281,024</u>	<u>42,047,775</u>
Total Liabilities, and Fund Balance	<u>\$ 43,349,043</u>	<u>\$ 2,073,318</u>	<u>\$ 206,612</u>	<u>\$ 8,140,562</u>	<u>\$ 87,584</u>	<u>\$ 281,024</u>	<u>\$ 54,138,143</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2021

Total Governmental Fund Balances \$ 42,047,775

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

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 94,294,184	
Less: Accumulated depreciation	<u>(28,781,089)</u>	65,513,095

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

Deferred outflows of resources	21,862,834	
Net pension liability - teachers' retirement system	(4,493,568)	
Net pension liability - employees' retirement system	(27,731)	
Deferred inflows of resources	<u>(10,574,972)</u>	6,766,563

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	820,840	
Less: Accumulated amortization	<u>(430,893)</u>	389,947

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

Deferred outflows of resources	41,127,763	
Total other postemployment benefits liability	(125,433,697)	
Deferred inflows of resources	<u>(3,907,963)</u>	(88,213,897)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on long-term liabilities	(70,732)	
Bonds payable - net	(24,794,887)	
Installment purchase debt payable	(817,170)	
Energy performance contract payable	(1,496,492)	
Compensated absences payable	(4,289,854)	
Workers' compensation liabilities	<u>(1,180,127)</u>	(32,649,262)

Total Net Position \$ (6,145,779)

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
REVENUES							
Real property taxes	\$ 59,270,874	\$	\$	\$	\$	\$	\$ 59,270,874
Other tax items	371,985						371,985
Charges for services	10,249,462						10,249,462
Use of money and property	296,062		34		46	650	296,792
Sale of property and compensation for loss	147,153		578				147,731
Miscellaneous	285,101	75,070	20,156		60,357	27,706	468,390
State sources	2,615,486	615,582	21,123				3,252,191
Medicaid reimbursement	47,402						47,402
Federal sources	163,315	821,136	634,531				1,618,982
Sales			69,826				69,826
Total Revenues	73,446,840	1,511,788	746,248	-	60,403	28,356	75,793,635
EXPENDITURES							
General support	9,545,659						9,545,659
Instruction	36,084,391	1,438,821			70,440	40,192	37,633,844
Pupil transportation	2,623,390	283,995					2,907,385
Community services	1,320,203						1,320,203
Employee benefits	15,843,300		35,738				15,879,038
Debt service							
Principal	2,978,722						2,978,722
Interest	1,091,524						1,091,524
Food service program			744,070				744,070
Capital outlay				229,596			229,596
Total Expenditures	69,487,189	1,722,816	779,808	229,596	70,440	40,192	72,330,041
Excess (Deficiency) of Revenues Over Expenditures	3,959,651	(211,028)	(33,560)	(229,596)	(10,037)	(11,836)	3,463,594
OTHER FINANCING SOURCES AND (USES)							
Proceeds of obligations				617,749			617,749
Operating transfers in	300,843	211,028		3,497,500			4,009,371
Operating transfers (out)	(3,708,528)			(300,843)			(4,009,371)
Total Other Financing Sources and (Uses)	(3,407,685)	211,028	-	3,814,406	-	-	617,749
Net Change in Fund Balances	551,966	-	(33,560)	3,584,810	(10,037)	(11,836)	4,081,343
Fund Balances - Beginning of year, as Restated	32,900,486		128,800	4,546,665	97,621	292,860	37,966,432
Fund Balances - End of year	\$ 33,452,452	\$ -	\$ 95,240	\$ 8,131,475	\$ 87,584	\$ 281,024	\$ 42,047,775

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2021

Net Change in Fund Balances \$ 4,081,343

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

Change in unavailable revenue \$ (42,087)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences liability 616,034

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in workers' compensation liability (100,582) 473,365

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. For governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays and other additions in the period.

Capital outlays and other additions 393,784
 Depreciation expense (2,291,683) (1,897,899)

Long-Term Debt Transaction Differences

Proceeds from the issuance of installment purchase debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities

(617,749)

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

372,401

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

Repayment of bond principal 2,510,000
 Repayment of installment purchase debt 287,584
 Repayment of energy performance contract 181,138

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2020 to June 30, 2021.

5,642 2,739,016

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system (3,415,126)
 Employees' retirement system 694,372
 Other postemployment benefits (18,658,938) (21,379,692)

Change in Net Position of Governmental Activities \$ (15,983,867)

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2021

	Custodial
ASSETS	
Cash and cash equivalents	\$ -
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2021

	Custodial
ADDITIONS	
Real property taxes collected for other governments:	
Library	\$ 4,355,995
Other	1,048,553
Total Additions	5,404,548
DEDUCTIONS	
Payments of real property taxes to other governments	5,404,548
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southampton Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

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 seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the 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 Education Law. All BOCES property is held by the BOCES Board as a corporation under §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 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 Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account 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 by either governments that provide the funds or outside parties.

School Food Service Fund - is used to account for the activities of the food service program.

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

Extraclassroom Activities Fund - is used to account for the funds operated by and for the students of the District.

Scholarships Fund - is used to account for funds collected that benefit annual third-party awards and scholarships for students.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fiduciary Funds – are used to account for activities in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following is the District’s fiduciary fund:

Custodial Fund – is used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

D. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

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

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

F. Payments in Lieu of Taxes (PILOT)

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

G. Restricted Resources

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

H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of capital assets.

J. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

K. Receivables

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

L. Inventories and Prepaid Items

Inventories of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventories and prepaids do not constitute available spendable resources.

M. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 15,000	50 years
Site improvements	15,000	20-50 years
Furniture and equipment	5,000	5-10 years

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from the refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2029. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including, 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

P. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Q. Employee Benefits – Compensated Absences

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

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

The liability for compensated absences 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 collective bargaining agreements and individual contracts in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

R. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

T. Equity Classifications

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 acquisitions, construction and improvements of those assets.

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories, which are recorded in the school food service fund, and prepaids, which are recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation Reserve

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

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Insurance Reserve

Insurance Reserve (GML §6-n) is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve

Capital Reserve (Education Law §3651) is 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. These reserves are accounted for in the general fund and capital projects fund.

Repairs Reserve

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

Restricted for Scholarships

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

Restricted – Unspent Debt Proceeds

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency and private purpose trust activities previously reported within the fiduciary funds are now reported within the governmental funds.

3. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

Effective for the Year Ending	Statement
June 30, 2022	GASB No. 87 - Leases

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Revenue and Expense Differences

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

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as 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.

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by 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) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Voter approved use of capital reserves:	
2007 ten year capital reserve - various building improvements	\$ 1,521,276
2017 ten year capital reserve - various building improvements	1,976,224
Use of the repair reserve for various projects and improvements	1,100,000
Federal CARES Act funding for general and instructional support	<u>165,580</u>
Total supplemental appropriations	<u>\$ 4,763,080</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. 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 part of assigned fund balance, unless classified as restricted, 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.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. 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 U.S. Treasury and U.S. 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 New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. 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 by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed \$1,942,795 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$309,090. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2021 consisted of:

General Fund	
New York State - Native American tuition	\$ 2,521,822
New York State - Excess cost aid	72,610
BOCES aid	289,670
Federal CARES Act funding	130,200
Medicaid	9,798
	<u>3,024,100</u>
Special Aid Fund	
Federal and state grants	1,793,721
School Food Service	
Federal and state food service program reimbursement	156,947
Capital Projects Fund	
New York State Smart Schools Bond Act	118,694
	<u>118,694</u>
	<u>\$ 5,093,462</u>

District management expects these amounts to be collectible.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021 consisted of:

General Fund		
Other districts - charges for services	\$ 1,141,706	
Suffolk County	300	
E-Rate	<u>133,873</u>	
	1,275,879	
Special Aid Fund		
Due from Cleary School	<u>16,146</u>	
	<u>\$ 1,292,025</u>	

District management expects these amounts to be collectible.

10. CAPITAL ASSETS

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

	Balance <u>June 30, 2020</u>	Additions	Reductions	Balance <u>June 30, 2021</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 455,700	\$	\$	\$ 455,700
Construction in progress	<u>2,027,389</u>	<u>83,424</u>	<u>(1,844,696)</u>	<u>266,117</u>
Total capital assets not being depreciated	<u>2,483,089</u>	<u>83,424</u>	<u>(1,844,696)</u>	<u>721,817</u>
Capital assets being depreciated:				
Buildings and improvements	81,864,840	1,844,696		83,709,536
Site improvements	2,972,875			2,972,875
Furniture and equipment	<u>6,778,078</u>	<u>310,360</u>	<u>(198,482)</u>	<u>6,889,956</u>
Total capital assets being depreciated	<u>91,615,793</u>	<u>2,155,056</u>	<u>(198,482)</u>	<u>93,572,367</u>
Less accumulated depreciation for:				
Buildings and improvements	20,335,482	1,818,290		22,153,772
Site improvements	1,718,289	100,629		1,818,918
Furniture and equipment	<u>4,634,117</u>	<u>372,764</u>	<u>(198,482)</u>	<u>4,808,399</u>
Total accumulated depreciation	<u>26,687,888</u>	<u>2,291,683</u>	<u>(198,482)</u>	<u>28,781,089</u>
Total capital assets being depreciated, net	<u>64,927,905</u>	<u>(136,627)</u>		<u>64,791,278</u>
Capital assets, net	<u>\$ 67,410,994</u>	<u>\$ (53,203)</u>	<u>\$ (1,844,696)</u>	<u>\$ 65,513,095</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense has been allocated to governmental functions as follows:

General support	\$ 1,971,614
Instruction	70,856
Pupil transportation	227,930
Food service program	<u>21,283</u>
 Total depreciation expense	 <u>\$ 2,291,683</u>

11. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2021, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,927,678	\$ 3,498,438	\$ 300,843	\$ 3,708,528
Special Aid Fund		1,827,591	211,028	
School Food Service Fund	938	91,000		
Capital Projects Fund	<u>3,497,500</u>	<u>9,087</u>	<u>3,497,500</u>	<u>300,843</u>
 Total Governmental Funds	 <u>\$ 5,426,116</u>	 <u>\$ 5,426,116</u>	 <u>\$ 4,009,371</u>	 <u>\$ 4,009,371</u>

The District typically transfers from the general fund to the special aid fund and the capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer placement program and the state-supported Section 4201 schools. The transfer to the capital projects fund was based on the voters of the District approving the use of the capital reserve for building improvements. Transfers-in to the general fund include the capital projects fund transferring unspent capital reserve monies on completed capital projects back to the general fund.

12. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2020	Issued	Redeemed	Balance June 30, 2021
TAN	6/24/2021	1.50%	<u>\$</u>	<u>\$ 16,500,000</u>	<u>\$ (16,500,000)</u>	<u>\$</u>

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

Interest on short-term debt for the year was \$181,500. The District received a premium of \$146,520 for a net interest expense of \$34,980.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

13. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits liabilities, for the year are summarized below:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term liabilities:					
Bonds payable	\$ 25,545,000	\$	\$ (2,510,000)	\$ 23,035,000	\$ 2,645,000
Add: Deferred premium on refundings	2,235,182		(475,295)	1,759,887	424,259
	27,780,182		(2,985,295)	24,794,887	3,069,259
Installment purchase debt	487,005	617,749	(287,584)	817,170	315,549
Energy performance contract	1,677,630		(181,138)	1,496,492	185,257
	29,944,817	617,749	(3,454,017)	27,108,549	3,570,065
Other long-term liabilities:					
Compensated absences	4,905,888		(616,034)	4,289,854	250,000
Workers' compensation	1,079,545	303,563	(202,981)	1,180,127	
	5,985,433	303,563	(819,015)	5,469,981	250,000
	<u>\$ 35,930,250</u>	<u>\$ 921,312</u>	<u>\$ (4,273,032)</u>	<u>\$ 32,578,530</u>	<u>\$ 3,820,065</u>

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Serial bonds - advance refunding	5/9/2017	6/15/2028	2.50 - 5.00%	\$ 10,475,000
Serial bonds - advance refunding	12/28/2017	6/1/2029	2.125-4.00%	12,560,000
				<u>\$ 23,035,000</u>

The following is a summary of debt service requirements:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 2,645,000	\$ 892,487	\$ 3,537,487
2023	2,770,000	773,937	3,543,937
2024	2,905,000	649,638	3,554,638
2025	3,035,000	519,188	3,554,188
2026	3,185,000	382,837	3,567,837
2027 - 2029	8,495,000	415,461	8,910,461
Total	<u>\$ 23,035,000</u>	<u>\$ 3,633,548</u>	<u>\$ 26,668,548</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Advance Refunding

In prior years, the District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a weighted average basis over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2022	\$ 92,041	\$ (424,259)	\$ (332,218)
2023	80,650	(370,557)	(289,907)
2024	68,725	(314,164)	(245,439)
2025	56,250	(255,067)	(198,817)
2026	43,197	(193,103)	(149,906)
2027 - 2029	49,084	(202,737)	(153,653)
Total	<u>\$ 389,947</u>	<u>\$ (1,759,887)</u>	<u>\$ (1,369,940)</u>

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
New computer equipment	6/13/2018	5/25/2022	2.71%	88,889
New computer equipment	6/14/2019	6/14/2023	2.42%	152,374
New computer equipment	7/27/2020	7/27/2024	2.25%	306,374
New computer equipment	6/11/2021	6/11/2025	1.09%	269,533
				<u>\$ 817,170</u>

The following is a summary of installment purchase debt requirements:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 315,549	\$ 14,221	\$ 329,770
2023	231,143	7,927	239,070
2024	156,741	3,824	160,565
2025	113,737	1,069	114,806
Total	<u>\$ 817,170</u>	<u>\$ 27,041</u>	<u>\$ 844,211</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Energy performance contract	6/21/2013	7/30/2028	2.26%	<u>\$ 1,496,492</u>

The following is a summary of energy performance contract requirements:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 185,257	\$ 32,794	\$ 218,051
2023	189,469	28,582	218,051
2024	193,777	24,274	218,051
2025	198,183	19,868	218,051
2026	202,689	15,362	218,051
2027 - 2029	<u>527,117</u>	<u>18,011</u>	<u>545,128</u>
Total	<u>\$ 1,496,492</u>	<u>\$ 138,891</u>	<u>\$ 1,635,383</u>

F. Interest Expense

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

Interest paid	\$ 1,056,544
Less interest accrued in the prior year	(76,374)
Plus interest accrued in the current year	70,732
Plus amortization of deferred bond charges	102,894
Less amortization of bond premium	<u>(475,295)</u>
Total interest expense on long-term debt	<u>\$ 678,501</u>

14. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 14.19% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was \$2,621,242 for TRS at the contribution rate of 9.53% and \$1,473,518 for ERS at an average contribution rate of 13.86%.

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NOTES TO FINANCIAL STATEMENTS
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D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension asset/(liability)	\$ (4,493,568)	\$ (27,731)
District's portion of the Plan's total net pension asset/(liability)	0.162618%	0.0278492%
Change in proportion since the prior measurement date	0.000610	(0.0003974)

For the year ended June 30, 2021, the District recognized pension expense of \$6,038,581 for TRS and \$867,317 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 3,937,265	\$ 338,665	\$ 230,287	\$
Changes of assumptions	5,683,318	5,098,755	2,025,806	96,164
Net difference between projected and actual earnings on pension plan investments	2,934,694			7,965,849
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,952	607,597	161,728	95,138
District contributions subsequent to the measurement date	<u>2,621,242</u>	<u>518,346</u>		
Total	<u>\$ 15,299,471</u>	<u>\$ 6,563,363</u>	<u>\$ 2,417,821</u>	<u>\$ 8,157,151</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 and inflows of resources related to pensions will be recognized in pension expense as follows:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Year Ending June 30,	TRS	ERS
2022	\$ 1,738,342	\$ (266,189)
2023	3,521,502	(27,967)
2024	2,918,585	(340,105)
2025	1,795,986	(1,477,873)
2026	82,294	
Thereafter	203,699	
	<u>\$ 10,260,408</u>	<u>\$ (2,112,134)</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2020
Inflation	2.20%	2.70%
Salary increases	1.90-4.72%	4.40%
Investment rate of return (net of investment expense, including inflation)	7.10%	5.90%
Cost of living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

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

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

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

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produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 5.90% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2020, was 6.80%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 4.90% for ERS) or 1 percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

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TRS	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
District's proportionate share of the net pension asset (liability)	\$ (28,384,321)	\$ (4,493,568)	\$ 15,556,828
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	\$ (7,696,930)	\$ (27,731)	\$ 7,045,066

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

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 employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$2,621,242 of employer contributions and \$296,472 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$518,346 of employer contributions. Employee contributions are remitted monthly.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021, totaled \$677,309 and \$1,330,924, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled \$274,975.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	212
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>386</u>
	<u><u>598</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$125,433,697 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to the measurement date.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Varied by years of service and retirement system
Discount rate	2.16%
Healthcare cost trend rates	5.40% decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs	25.00 - 65.00% based on contracts and years of service

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

Mortality rates were based on the Pub-2010 Headcount Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2020.

The actuarial assumptions used in the valuation were based on the standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 106,297,059</u>
Changes for the year	
Service cost	5,359,007
Interest	2,445,294
Changes of benefit terms	7,250,530
Differences between expected and actual experience	1,110,322
Changes in assumptions or other inputs	5,001,123
Benefit payments	<u>(2,029,638)</u>
	<u>19,136,638</u>
Balance at June 30, 2021	<u><u>\$ 125,433,697</u></u>

Changes of assumptions and other inputs reflect a decrease in the discount rate from 2.21% in 2020 to 2.16% in 2021.

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:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	1% Decrease	Discount Rate	1% Increase
OPEB	1.16%	2.16%	3.16%
Total OPEB liability	<u>\$ (153,369,901)</u>	<u>\$(125,433,697)</u>	<u>\$ (103,830,888)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Cost Trend Rates	1% Increase
OPEB	4.40% decreasing to 3.04%	5.40% decreasing to 4.04%	6.40% decreasing to 5.04%
Total OPEB liability	<u>\$ (100,161,030)</u>	<u>\$ (125,433,697)</u>	<u>\$ (159,690,757)</u>

D. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$20,688,576. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,138,882	\$ 2,321,005
Changes of assumptions or other inputs	<u>29,988,881</u>	<u>1,586,958</u>
Total	<u>\$ 41,127,763</u>	<u>\$ 3,907,963</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2022	\$ 5,633,745
2023	5,633,745
2024	5,633,745
2025	5,633,745
2026	5,633,745
Thereafter	9,051,075
	\$ 37,219,800

17. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Public Entity Risk Pool

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

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

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2021, as processed by the EEWCC, is \$1,180,127. Claims activity is summarized as follows:

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	2021	2020
Claims at beginning of year	\$ 1,079,545	\$ 922,704
Incurred claims and claim adjustment expenses	303,563	375,082
Claim payments and expenses	(202,981)	(218,241)
Claim liabilities at end of year	\$ 1,180,127	\$ 1,079,545

The EEWCC is holding \$346,499 of cash on account for the District to satisfy these liabilities at June 30, 2021.

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

C. Health Benefit Program

The District participates in a health benefit program for its employees through the East End Health Plan, a consortium of school districts from the east end of Long Island. The benefit program's administrator is responsible for the approval, processing and payment of claims. This is billed to the District at an established rate based on the number of participants. The District is responsible for contributions to cover their share of the benefits and administrative costs. The plan reports on a June 30th year end. In the event the plan experiences a shortfall, a special assessment against participating districts may be imposed. The District has not been notified of any additional or supplemental assessments as of the date of this financial statement.

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

Workers' Compensation	\$ 200,000
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19. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$1,000,000 has been appropriated to reduce taxes for the year ending June 30, 2022.

20. RESTRICTED FOR CAPITAL RESERVE

The following is a summary of the District's restricted capital reserve activity since inception.

- A. The 2007 Ten Year Capital Reserve Fund
- B. The Southampton Bus Fleet Replacement Capital Reserve Fund
- C. The Property and Construction Capital Reserve Fund
- D. The 2017 Ten Year Capital Reserve Fund

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Date Created	May 2007	May 2009	May 2009	May 2017	
Number of Years to Fund	10	20	10	10	
Maximum Funding	<u>\$ 20,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 20,000,000</u>	Total
General Fund					
Funding Provided Since Inception	\$ 15,027,462	\$ 3,713,000	\$ 9,852,971	\$ 9,563,883	\$ 38,157,316
Interest Earnings Since Inception	317,862	30,068	667,074	57,560	1,072,564
Use of Reserve Since Inception	<u>(15,345,324)</u>	<u>(2,387,531)</u>	<u>(1,665,000)</u>	<u>(1,976,224)</u>	<u>(21,374,079)</u>
Total General Fund	<u>-</u>	<u>1,355,537</u>	<u>8,855,045</u>	<u>7,645,219</u>	<u>17,855,801</u>
Capital Projects Fund					
Funding Provided Since Inception	15,345,325			1,976,224	17,321,549
Use of Reserves Since Inception	<u>(9,661,650)</u>				<u>(9,661,650)</u>
Total Capital Projects Fund	<u>5,683,675</u>	<u>-</u>	<u>-</u>	<u>1,976,224</u>	<u>7,659,899</u>
Balance as of June 30, 2021	<u>\$ 5,683,675</u>	<u>\$ 1,355,537</u>	<u>\$ 8,855,045</u>	<u>\$ 9,621,443</u>	<u>\$ 25,515,700</u>

21. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of \$390,481 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's fund balance and net position (deficit) have been restated as follows:

	General Fund	Extraclassroom Activities Fund	Scholarships Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Reported	<u>\$ 32,900,486</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,447,607</u>
<i>Assets</i>				
Cash, unrestricted	106,312	97,621		203,933
Cash, restricted			292,860	292,860
Due from fiduciary fund	<u>(48,153)</u>			<u>(48,153)</u>
	<u>58,159</u>	<u>97,621</u>	<u>292,860</u>	<u>448,640</u>
<i>Liabilities</i>				
Other liabilities	<u>58,159</u>			<u>58,159</u>
<i>Net Position/Fund Balance</i>				
Restricted			292,860	292,860
Assigned, unappropriated		97,621		
Unrestricted				<u>97,621</u>
	<u>-</u>	<u>97,621</u>	<u>292,860</u>	<u>390,481</u>
Net Position/Fund Balance				
Beginning of Year, as Restated	<u>\$ 32,900,486</u>	<u>\$ 97,621</u>	<u>\$ 292,860</u>	<u>\$ 9,838,088</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2021, the District encumbered the following amounts:

Restricted	
Capital Projects Fund	
Capital projects	<u>\$ 2,255,063</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	310,547
Instruction	284,476
Pupil transportation	76,660
Community services	<u>5,906</u>
	<u>677,589</u>
	<u><u>\$ 2,932,652</u></u>

B. 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, would be immaterial.

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$242,638. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 256,067
2023	267,911
2024	<u>121,932</u>
	<u><u>\$ 645,910</u></u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

23. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

A. Issuance of TANs

On September 22, 2021, the District issued tax anticipation notes in the amount of \$17,000,000, which are due June 23, 2022 and bear interest at a stated interest rate of 1.50%. The net interest cost to the District, after receiving a premium of \$166,430, will be \$19,862, yielding an effective interest rate of 0.16%.

B. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

The District was awarded additional funding under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act through the Elementary and Secondary School Emergency Relief (ESSER) Program for \$496,539.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 59,440,843	\$ 59,270,153	\$ 59,270,874	\$ 721
Other tax items	188,990	359,680	371,985	12,305
Charges for services	8,696,561	8,696,561	10,249,462	1,552,901
Use of money and property	350,000	350,000	296,062	(53,938)
Sale of property and compensation for loss	130,000	130,000	147,153	17,153
Miscellaneous	130,000	130,000	285,101	155,101
Total Local Sources	68,936,394	68,936,394	70,620,637	1,684,243
State Sources	2,420,000	2,420,000	2,615,486	195,486
Medicaid Reimbursement			47,402	47,402
Federal Sources		165,580	163,315	(2,265)
Total Revenues	71,356,394	71,521,974	73,446,840	1,924,866
OTHER SOURCES				
Operating Transfers In			300,843	300,843
Total Revenues and Other Sources	71,356,394	71,521,974	73,747,683	\$ 2,225,709
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,500,000	1,500,000		
Prior Year's Encumbrances	297,914	297,914		
Appropriated Reserves	-	4,597,500		
Total Appropriated Fund Balance	1,797,914	6,395,414		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 73,154,308	\$ 77,917,388		

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.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 133,560	\$ 119,052	\$ 87,277	\$	\$ 31,775
Central administration	314,894	325,957	296,703		29,254
Finance	1,045,540	1,062,494	904,620	43,270	114,604
Staff	469,575	669,896	568,445		101,451
Central services	5,727,772	7,785,790	6,888,066	267,277	630,447
Special items	839,786	839,786	800,548		39,238
Total General Support	<u>8,531,127</u>	<u>10,802,975</u>	<u>9,545,659</u>	<u>310,547</u>	<u>946,769</u>
Instruction					
Administration & improvement	2,973,921	3,170,403	2,807,446	1,701	361,256
Teaching - regular school	19,145,809	19,272,668	18,653,024	30,874	588,770
Programs for students with disabilities	8,893,722	8,584,627	7,761,417	184,397	638,813
Occupational education	494,700	494,700	421,460	763	72,477
Teaching - special schools	265,230	284,285	116,387	39,650	128,248
Instructional media	2,513,080	2,597,600	2,413,611	27,091	156,898
Pupil services	4,335,535	4,393,144	3,911,046		482,098
Total Instruction	<u>38,621,997</u>	<u>38,797,427</u>	<u>36,084,391</u>	<u>284,476</u>	<u>2,428,560</u>
Pupil Transportation	<u>3,128,155</u>	<u>3,052,269</u>	<u>2,623,390</u>	<u>76,660</u>	<u>352,219</u>
Community Services	<u>1,329,961</u>	<u>1,474,303</u>	<u>1,320,203</u>	<u>5,906</u>	<u>148,194</u>
Employee Benefits	<u>17,127,000</u>	<u>16,008,531</u>	<u>15,843,300</u>		<u>165,231</u>
Debt Service					
Principal	3,023,420	2,978,808	2,978,722		86
Interest	1,212,648	1,094,547	1,091,524		3,023
Total Debt Service	<u>4,236,068</u>	<u>4,073,355</u>	<u>4,070,246</u>	<u>-</u>	<u>3,109</u>
Total Expenditures	<u>72,974,308</u>	<u>74,208,860</u>	<u>69,487,189</u>	<u>677,589</u>	<u>4,044,082</u>
OTHER USES					
Operating Transfers Out	<u>180,000</u>	<u>3,708,528</u>	<u>3,708,528</u>		<u>-</u>
Total Expenditures and Other Uses	<u>\$ 73,154,308</u>	<u>\$ 77,917,388</u>	<u>73,195,717</u>	<u>\$ 677,589</u>	<u>\$ 4,044,082</u>
Net Change in Fund Balance			551,966		
Fund Balance - Beginning of Year			<u>32,900,486</u>		
Fund Balance - End of Year			<u>\$ 33,452,452</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.

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Seven Fiscal Years

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.162618%	0.162008%	0.162975%	0.162111%	0.163769%	0.159147%	0.160587%
District's proportionate share of the net pension asset (liability)	\$ (4,493,568)	\$ 4,208,979	\$ 2,947,026	\$ 1,232,203	\$ (1,754,036)	\$ 16,530,253	\$ 17,888,436
District's covered payroll	\$ 27,757,934	\$ 27,157,650	\$ 26,661,291	\$ 25,689,224	\$ 25,271,225	\$ 24,437,057	\$ 24,229,031
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	16.19 %	15.50 %	11.05 %	4.80 %	6.94 %	67.64 %	73.83 %
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0278492%	0.0282466%	0.0297848%	0.0298786%	0.0285454%	0.0291448%	0.0281066%
District's proportionate share of the net pension liability	\$ (27,731)	\$ (7,479,868)	\$ (2,110,342)	\$ (964,315)	\$ (2,682,188)	\$ (4,677,827)	\$ (949,511)
District's covered payroll	\$ 10,207,040	\$ 10,521,639	\$ 9,954,526	\$ 9,778,192	\$ 9,723,556	\$ 8,913,780	\$ 9,046,043
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.27 %	71.09 %	21.20 %	9.86 %	27.58 %	52.48 %	10.50 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	90.68%	90.68%	97.95%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,621,242	\$ 2,445,483	\$ 2,871,705	\$ 2,601,594	\$ 3,010,777	\$ 3,350,965	\$ 4,178,818	\$ 3,850,497	\$ 2,815,742	\$ 2,598,331
Contributions in relation to the contractually required contribution	<u>2,621,242</u>	<u>2,445,483</u>	<u>2,871,705</u>	<u>2,601,594</u>	<u>3,010,777</u>	<u>3,350,965</u>	<u>4,178,818</u>	<u>3,850,497</u>	<u>2,815,742</u>	<u>2,598,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,560,484	\$ 27,757,934	\$ 27,157,650	\$ 26,661,291	\$ 25,689,224	\$ 25,271,225	\$ 24,437,057	\$ 24,229,031	\$ 24,151,942	\$ 23,729,837
Contributions as a percentage of covered payroll	10%	9%	11%	10%	12%	13%	17%	16%	12%	11%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,473,518	\$ 1,393,961	\$ 1,402,206	\$ 1,427,886	\$ 1,370,105	\$ 1,460,985	\$ 1,619,938	\$ 1,537,866	\$ 1,691,423	\$ 1,284,463
Contributions in relation to the contractually required contribution	<u>1,473,518</u>	<u>1,393,961</u>	<u>1,402,206</u>	<u>1,427,886</u>	<u>1,370,105</u>	<u>1,460,985</u>	<u>1,619,938</u>	<u>1,537,866</u>	<u>1,691,423</u>	<u>1,284,463</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,633,449	\$ 10,568,619	\$ 9,986,712	\$ 9,864,248	\$ 9,490,870	\$ 9,312,020	\$ 9,085,587	\$ 8,739,978	\$ 8,542,731	\$ 8,680,021
Contributions as a percentage of covered payroll	14%	13%	14%	14%	14%	16%	18%	18%	20%	15%

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 5,359,007	\$ 3,692,052	\$ 1,843,480	\$ 1,918,061
Interest	2,445,294	2,959,379	2,083,122	1,873,328
Changes in benefit terms	7,250,530	-	-	-
Differences between expected and actual experience	1,110,322	(3,094,673)	14,524,784	-
Changes of assumptions or other inputs	5,001,123	23,091,671	11,848,779	(2,655,622)
Benefit payments	<u>(2,029,638)</u>	<u>(1,927,612)</u>	<u>(1,402,469)</u>	<u>(1,569,655)</u>
Net change in total OPEB liability	19,136,638	24,720,817	28,897,696	(433,888)
Total OPEB liability, beginning	<u>106,297,059</u>	<u>-</u>	<u>52,678,546</u>	<u>53,112,434</u>
Total OPEB liability, ending	<u>\$ 125,433,697</u>	<u>\$ 24,720,817</u>	<u>\$ 81,576,242</u>	<u>\$ 52,678,546</u>
Covered employee payroll	\$ 31,256,141	\$ 39,392,673	\$ 31,114,379	\$ 37,494,410
Total OPEB liability as a percentage of covered employee payroll	401.31%	62.75%	262.18%	140.50%
Discount rate	2.16%	2.21%	3.51%	3.87%
Healthcare trend rates	5.40% to 4.04% by 2075	5.40% to 3.84% by 2075	5.50% to 3.84% by 2075	5.50% to 3.84% by 2078

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

Note to Required Supplementary Information

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

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 72,856,394
Additions:		
Prior year's encumbrances		<u>297,914</u>
Original Budget		73,154,308
Budget revisions		<u>4,763,080</u>
Final Budget		<u><u>\$ 77,917,388</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter-approved expenditure budget		<u><u>\$ 73,999,900</u></u>
Maximum allowed (4% of 2021-2022 budget)		<u><u>\$ 2,959,996</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,677,589	
Unassigned fund balance	<u>2,959,996</u>	
		\$ 4,637,585
Less:		
Appropriated fund balance	1,000,000	
Encumbrances	<u>677,589</u>	
Total adjustments		<u>1,677,589</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 2,959,996</u></u>
Actual Percentage		4.00%

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For the Year Ended June 30, 2021

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2021	
	June 30, 2020	June 30, 2021	Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources		Total
Capital Reserves											
SES Bus Egress (0001-032)	\$ 264,276	\$ 264,276	\$ 197,987	\$ 1,187	\$ 199,174	\$ 65,102	\$	\$	\$ 264,276	\$ 264,276	\$ 65,102 *
SHS Art Room Cabinets (0007-020)	40,000	40,000	39,405		39,405	595			40,000	40,000	595 *
Unallocated	9,820	9,820			-	9,820			9,820	9,820	9,820
SHS HVAC and Turf Field	1,819,150	1,819,150	1,686,086		1,686,086	133,064			1,819,150	1,819,150	133,064 *
SES Exterior Masonry Work	280,850	280,850	164,041	14,725	178,766	102,084			280,850	280,850	102,084 *
SES Climate Control	975,000	975,000	43,599	2,669	46,268	928,732			975,000	975,000	928,732
SIS Climate Control	825,000	825,000	36,313	3,471	39,784	785,216			825,000	825,000	785,216
SHS HVAC Rooftop	1,500,000	1,500,000		36,025	36,025	1,463,975			1,500,000	1,500,000	1,463,975
SES Classroom Ceilings	750,000	750,000		25,346	25,346	724,654			750,000	750,000	724,654
DW Security Access Upgrade	250,000	250,000			-	250,000			250,000	250,000	250,000
Capital Reserve Proposition No. 3		3,497,500			-	3,497,500			3,497,500	3,497,500	3,497,500
Smart Schools Bond Act	124,194	118,694	118,694		118,694	-		118,694		118,694	-
Computers - 2020		348,216		146,173	146,173	202,043	348,216			348,216	202,043
Computers - 2021		269,533				269,533	269,533			269,533	269,533
District-wide renovations	<u>\$ 6,838,290</u>	<u>\$ 10,948,039</u>	<u>\$ 2,286,125</u>	<u>\$ 229,596</u>	<u>\$ 2,515,721</u>	<u>\$ 8,432,318</u>	<u>\$ 617,749</u>	<u>\$ 118,694</u>	<u>\$ 10,211,596</u>	<u>\$ 10,948,039</u>	8,432,318
											Operating Transfer to General Fund for Completed Reserve Projects
											<u>(300,843) *</u>
											<u>\$ 8,131,475</u>

SOUTHAMPTON UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2021

Capital assets, net	<u>\$ 65,513,095</u>
Deduct:	
Short-term portion of bonds payable	(2,645,000)
Long-term portion of bonds payable	(20,390,000)
Short-term portion of installment purchase debt	(315,549)
Long-term portion of installment purchase debt	(501,621)
Less:	
Installment purchase debt not used for capitalized assets	817,170
Short-term portion of energy performance contract	(185,257)
Long-term portion of energy performance contract	<u>(1,311,235)</u>
	<u>(24,531,492)</u>
Net investment in capital assets	<u><u>\$ 40,981,603</u></u>



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(1950 - 2013)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Southampton Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Southampton Union Free School District in a separate letter dated November 1, 2021.

Purpose of this Report

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

Cullen & Danowski, LLP

November 1, 2021

