

**SPRINGS UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**SPRINGS UNION FREE SCHOOL DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Springs Union Free School District

### 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 Springs Union Free School District as of and for the fiscal year ended June 30, 2020, 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Springs Union Free School District as of June 30, 2020, and the respective changes in financial position for the fiscal 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 the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 14 and 51 through 55, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Springs Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

### ***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the Springs 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 Springs 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 Springs Union Free School District's internal control over financial reporting and compliance.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
November 13, 2020

**SPRINGS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Springs Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020 in comparison with the year ended June 30, 2019, 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.

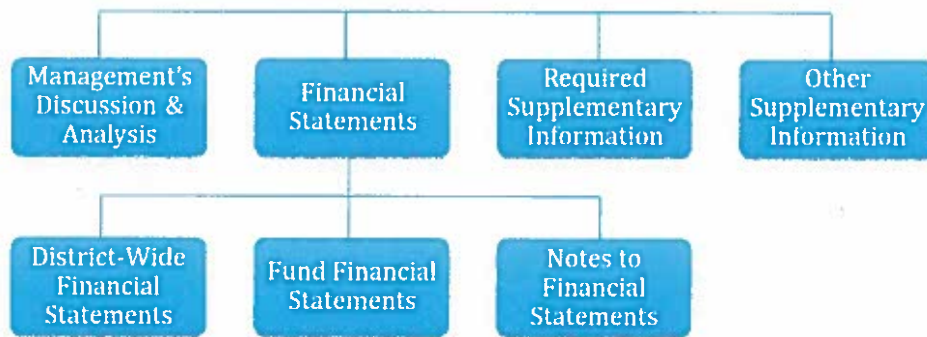
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$2,636,222 (12.93%). This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,697,288 (38.87%). This was due to revenues exceeding expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting.
- The District's 2020 property tax levy, including STAR, of \$26,589,533 reflects a 3.14% increase over the 2019 tax levy, which was equal to the District's property tax cap.
- The 2019-2020 final budget was under expended by \$2,579,921.

**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.

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

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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.

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.

**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 four individual governmental funds: general fund, special aid fund, school food service fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize 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**

The District's total net position (deficit) increased by \$2,636,222 between fiscal year 2020 and 2019. The deficit increase 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:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 12,483,684	\$ 14,071,166	\$ (1,587,482)	(11.28)%
Capital Assets, Net	8,890,310	4,930,405	3,959,905	80.32 %
Net Pension Asset - Proportionate Share	<u>1,393,312</u>	<u>1,000,986</u>	<u>392,326</u>	39.19 %
Total Assets	<u>22,767,306</u>	<u>20,002,557</u>	<u>2,764,749</u>	13.82 %
<b>Deferred Outflows of Resources</b>	<u>18,140,267</u>	<u>7,614,882</u>	<u>10,525,385</u>	138.22 %
<b>Liabilities</b>				
Current and Other Liabilities	5,053,992	4,301,445	752,547	17.50 %
Long-Term Liabilities	1,873,147	1,982,167	(109,020)	(5.50)%
Net Pension Liability - Proportionate Share	1,216,513	327,749	888,764	271.17 %
Total OPEB Liability	<u>49,419,770</u>	<u>38,172,651</u>	<u>11,247,119</u>	29.46 %
Total Liabilities	<u>57,563,422</u>	<u>44,784,012</u>	<u>12,779,410</u>	28.54 %
<b>Deferred Inflows of Resources</b>	<u>6,369,670</u>	<u>3,222,724</u>	<u>3,146,946</u>	97.65 %
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	8,433,090	4,415,124	4,017,966	91.00 %
Restricted	4,753,454	7,643,769	(2,890,315)	(37.81)%
Unrestricted (Deficit)	<u>(36,212,063)</u>	<u>(32,448,190)</u>	<u>(3,763,873)</u>	11.60 %
Total Net Position (Deficit)	<u>\$ (23,025,519)</u>	<u>\$ (20,389,297)</u>	<u>\$ (2,636,222)</u>	12.93 %

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

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The decrease in current and other assets is evidenced by decreases in cash and amounts due from other governments, offset partially by the increase in amounts due from the fiduciary fund.

The increase in capital assets, net is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teacher's Retirement System's net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "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.

The increase in current and other liabilities is primarily due to an increases in accounts payable, offset partially by the decrease in the amount due to the teachers' retirement system.

The decrease in long-term liabilities is the result of the decrease in compensated absences payable and repayment of the current maturity of the bond and installment purchase debt, offset by an increase in bond anticipation notes payable for the purchase of a bus.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State", provides additional information.

The total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "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. In addition, deferred inflows of resources includes taxes received by the District before the period for which real property taxes are levied.

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 net position relates to the District's reserves. This number decreased from the prior year primarily due to the District's use of the capital reserve for capital projects, offset by funding of the reserves and interest earnings.

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.



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

**B. Changes in Net Position**

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 these statements for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 83,085	\$ 296,408	\$ (213,323)	(71.97)%
Operating Grants	581,683	734,293	(152,610)	(20.78)%
General Revenues				
Property Taxes and STAR	26,590,249	25,757,441	832,808	3.23 %
State Sources	1,738,120	1,681,552	56,568	3.36 %
Other	432,784	405,922	26,862	6.62 %
Total Revenues	<u>29,425,921</u>	<u>28,875,616</u>	<u>550,305</u>	1.91 %
<b>Expenses</b>				
General Support	2,866,339	3,016,357	(150,018)	(4.97)%
Instruction	27,562,158	26,683,137	879,021	3.29 %
Pupil Transportation	1,517,503	1,553,725	(36,222)	(2.33)%
Debt Service - Interest	103,435	100,964	2,471	2.45 %
Food Service Program	12,708	19,299	(6,591)	(34.15)%
Total Expenses	<u>32,062,143</u>	<u>31,373,482</u>	<u>688,661</u>	2.20 %
Decrease in Net Position	<u>\$ (2,636,222)</u>	<u>\$ (2,497,866)</u>	<u>\$ (138,356)</u>	(5.54)%

The District's net position decreased by \$(2,636,222) and \$(2,497,866) for the years ended June 30, 2020 and 2019, respectively.

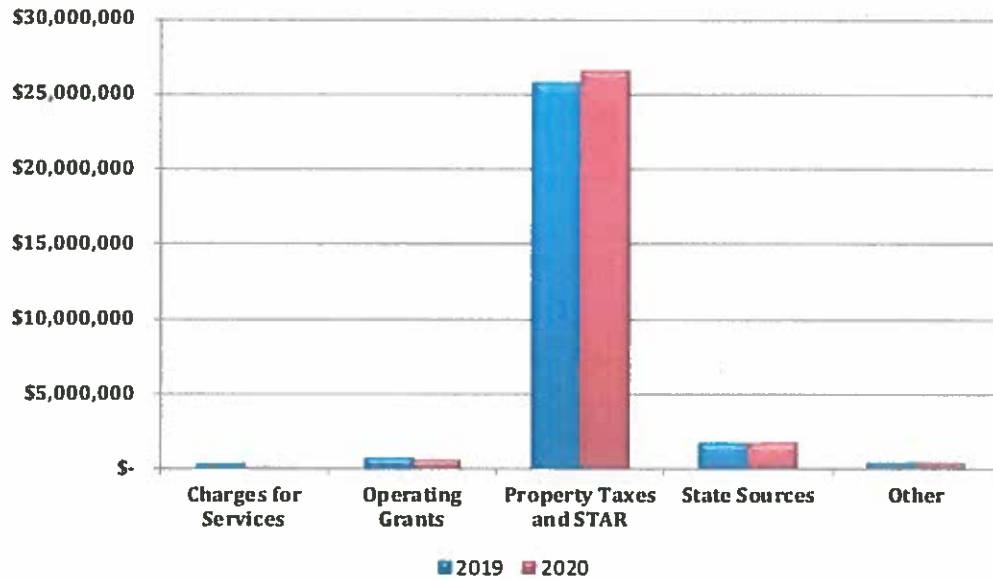
The District's revenues increased by \$550,305 or 1.91%, as compared to the prior year. This increase is primarily attributable to an increase in property taxes and STAR, offset by decreases in charges for services and operating grants. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2019-2020 budget.

The District's total expenses for the year increased by \$688,661 or 2.20%. The increase in expense is primarily due to an increase in instruction costs. The primary reason for the increase in instruction is due to the impact of the net change in pension and other postemployment benefits costs allocated.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 90.4% and 89.2% of the total for the years 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 86.1% and 85.0% for the years 2020 and 2019, respectively).

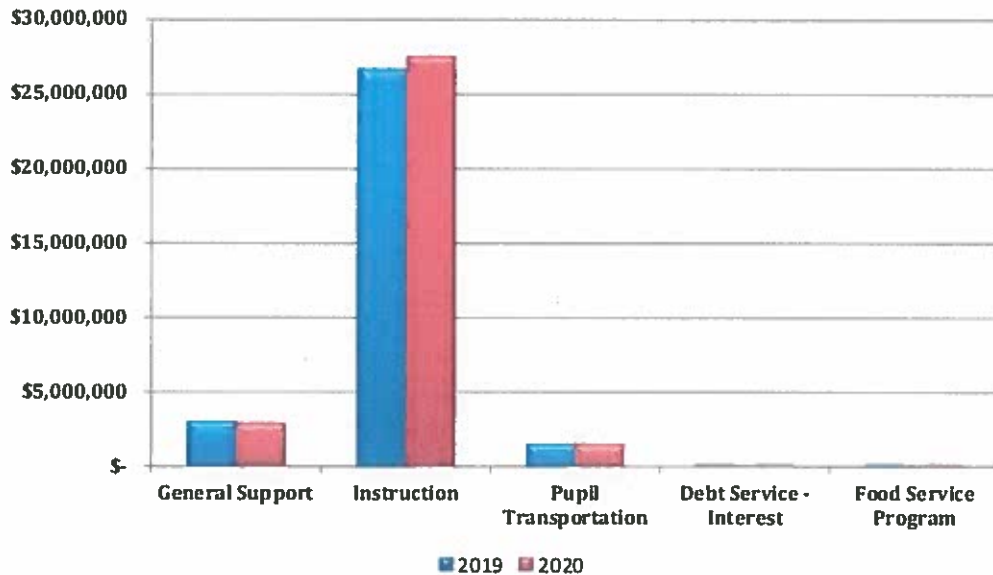
**SPRINGS UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2019	1.0%	2.5%	89.2%	5.8%	1.5%
2020	0.3%	2.0%	90.4%	5.9%	1.4%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2019	9.6%	85.0%	5.0%	0.3%	0.1%
2020	8.9%	86.1%	4.7%	0.3%	0.0%

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

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

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$7,150,017, which is a decrease of \$2,395,353 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2020</u>	<u>2019</u>	Increase (Decrease)
<b>General Fund</b>			
Restricted:			
Workers' compensation	\$ 165,479	\$ 100,562	\$ 64,917
Unemployment insurance	144,404	127,026	17,378
Retirement contribution			
Employees' retirement system	429,477	427,340	2,137
Teachers' retirement system	187,336		187,336
Insurance	151,432	150,679	753
Employee benefit accrued liability	1,282,126	1,275,747	6,379
Capital	301,451	299,951	1,500
Repairs	1,076,910	159,145	917,765
Assigned:			
Appropriated fund balance	1,031,165	824,516	206,649
Unappropriated fund balance	92,077	9,775	82,302
Unassigned: Fund balance	<u>1,201,977</u>	<u>991,805</u>	<u>210,172</u>
	<u>6,063,834</u>	<u>4,366,546</u>	<u>1,697,288</u>
<b>School Food Service Fund</b>			
Assigned: Unappropriated fund balance	<u>795</u>	<u>1,813</u>	<u>(1,018)</u>
<b>Capital Projects Fund</b>			
Restricted			
Capital	1,014,839	5,103,319	(4,088,480)
Unspent debt proceeds	12,341		12,341
Assigned: Unappropriated fund balance	<u>58,208</u>	<u>73,692</u>	<u>(15,484)</u>
	<u>1,085,388</u>	<u>5,177,011</u>	<u>(4,091,623)</u>
<b>Total Fund Balance</b>	<u>\$ 7,150,017</u>	<u>\$ 9,545,370</u>	<u>\$ (2,395,353)</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$1,697,288 compared to a decrease of \$528,980 in 2019. This resulted from revenues in excess of expenditures and other financing uses.

The District's revenues increased by \$670,791 or 2.38%, as compared to the prior year. This increase is primarily attributable to increases in state sources, property taxes and STAR, offset partially by a decrease in charges for services. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2019-2020 budget.

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

Expenditures and other financing uses decreased by \$1,555,477 or 5.43% from the prior year. This decrease was primarily due to decreases in general support, instruction, pupil transportation and employee benefits. The primary reason for the decrease in general support was the need for emergency repairs in the prior year. The decrease in instruction is due to a decrease in tuition and BOCES services. The decrease in pupil transportation is due to school closures resulting from COVID-19. The decrease in employee benefits is due to the reduction of the employer contribution rate from the New York State Teachers' Retirement System.

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

	2019	Use of Reserves	Interest	Funding	2020	Appropriated for June 30, 2021
Workers' compensation	\$ 100,562	\$	\$ 503	\$ 64,414	\$ 165,479	\$
Unemployment insurance	127,026		635	16,743	144,404	100,000
Retirement contribution						
ERS	427,340		2,137		429,477	100,000
TRS				187,336	187,336	
Insurance	150,679		753		151,432	
EBALR	1,275,747		6,379		1,282,126	
Capital	299,951		1,500		301,451	
Repairs	159,145	(84,222)	796	1,001,191	1,076,910	
	<u>\$ 2,540,450</u>	<u>\$ (84,222)</u>	<u>\$ 12,703</u>	<u>\$ 1,269,684</u>	<u>\$ 3,738,615</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 \$1,018, which was the operating loss of the food service-program.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$4,091,623, which is the amount expended for district-wide improvement projects in excess of current year funding.

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

	2019	Use of Reserves	Funding	2020
May 2014 Reserve	<u>\$ 5,103,319</u>	<u>\$ (4,088,480)</u>	<u>\$</u>	<u>\$ 1,014,839</u>

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The District's general fund adopted budget for the year ended June 30, 2020 was \$29,692,160. This amount was increased by encumbrances carried forward from the prior year in the amount of \$9,775 and budget revisions of \$84,222 for a total final budget of \$29,786,157.

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

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$26,589,533 in estimated property taxes and STAR.

**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 prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance, demonstrated through a comparison of the actual revenues and expenditures for the year, compared to budget follows:

Opening, Unassigned Fund Balance	\$ 991,805
Revenues Over Budget	143,803
Expenditures and Encumbrances Under Budget	2,579,921
Unused Appropriated Reserves	(200,000)
Allocation to Reserves	(1,282,387)
Appropriated to Fund the June 30, 2021 Budget	<u>(1,031,165)</u>
Closing, Unassigned Fund Balance	<u>\$ 1,201,977</u>

Opening, Unassigned Fund Balance

The \$991,805 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned fund balance.

Revenues Over Budget

The 2019-2020 final budget for revenues was \$28,667,644. Actual revenues recognized for the year were \$28,811,447. The actual revenues were higher than budgeted by \$143,803, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. 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 2019-2020 final budget for expenditures was \$29,786,157. Actual expenditures as of June 30, 2020 were \$27,114,159 and outstanding encumbrances were \$92,077. Combined, the expenditures plus encumbrances for 2019-2020 were \$27,206,236. The final budget variance was \$2,579,921, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Unused Appropriated Reserves

In the 2019-2020 budget, \$200,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, this funding was not needed, and therefore, it was returned to the reserves for future use.

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

**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 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 \$1,031,165 of the available June 30, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the June 30, 2020 unassigned fund balance must be reduced by this amount.

**Closing, Unassigned Fund Balance**

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2020 was \$1,201,977. This is an increase of \$210,172 over the prior year unassigned fund balance. This unassigned portion is 4% of the 2020-2021 budget, which is the amount permissible per New York State Real Property Tax Law §1318.

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

**A. Capital Assets**

At June 30, 2020, 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 capital additions of \$4,262,107, in excess of depreciation expense of \$302,202 for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 9,875	\$ 9,875	\$ -
Construction in progress	4,988,458	1,095,178	3,893,280
Buildings and improvements	2,665,566	2,760,910	(95,344)
Site improvements	357,467	382,532	(25,065)
Furniture and equipment	487,521	299,668	187,853
Vehicles	<u>381,423</u>	<u>382,242</u>	<u>(819)</u>
Capital assets, net	<u>\$ 8,890,310</u>	<u>\$ 4,930,405</u>	<u>\$ 3,959,905</u>

The District is continuing to make significant capital expenditures resulting from a voter approved \$22,963,298 capital project for an addition and improvements to the building. As of June 30, 2020, the District has expended approximately 22% of the authorization and the construction is ongoing.

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

**B. Debt Administration**

At June 30, 2020, the District had bond anticipation notes of \$135,000, total bonds payable of \$200,000 and total installment purchase contracts payable of \$134,561. The bond anticipation notes were issued for the purchase of a school bus. The bonds were issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of serial bonds during the year ended June 30, 2020. The installment purchase contracts were issued for purchases of school buses. A summary of the outstanding serial bonds and installment purchase contracts at June 30, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
<b>Bond Anticipation Notes Payable</b>				
2019	1.61%	\$ 135,000	\$	\$ 135,000
<b>Bonds Payable</b>				
2002	3.75%	\$ 200,000	\$ 300,000	\$ (100,000)
<b>Installment Purchase Debt</b>				
2017	2.00%	\$ 32,985	\$ 65,322	\$ (32,337)
2018	3.28%	101,576	149,959	(48,383)
		<u>\$ 134,561</u>	<u>\$ 215,281</u>	<u>\$ (80,720)</u>

On March 8, 2018, the voters of the District authorized the issuance of \$16,960,000 in serial bonds to fund an addition and improvements to the building. As of June 30, 2020, the District has not issued any debt related to this authorization.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The debt limit is 10% of the full valuation of the taxable real property within the District.

**C. Other Long-Term Liabilities**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability - proportionate share and total other postemployment benefits liability. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability - proportionate share and the total other postemployment benefits liability are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Compensated absences payable	\$ 1,323,760	\$ 1,370,351	\$ (46,591)
Workers' compensation liabilities	79,826	96,535	(16,709)
Net pension liability - proportionate share	1,216,513	327,749	888,764
Total OPEB liability	<u>49,419,770</u>	<u>38,172,651</u>	<u>11,247,119</u>
	<u>\$ 52,039,869</u>	<u>\$ 39,967,286</u>	<u>\$ 12,072,583</u>

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

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**7. 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 June 9, 2020, for the year ending June 30, 2021, is \$30,049,430. This is an increase of \$357,270 or 1.20% over the previous year's budget.

The District budgeted revenues other than property taxes at a \$293,425 decrease from the prior year's estimate. The assigned, appropriated fund balance applied to the June 30, 2021 budget in the amount of \$1,031,165 is an increase of \$206,649 over the prior year. The District will also utilize \$100,000 of the retirement contribution reserve and \$100,000 of the unemployment insurance reserve to fund the 2020-2021 budget, which is the same as the prior year. A property tax increase of \$444,046, or 1.67% over the prior year levy was needed to meet the revenue shortfall and cover the increase in appropriations.

**B. Future Budgets**

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may 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 2020-2021 is 2.12%. The District's 2020-2021 property tax increase of 1.67% was less than the tax cap and did not require an override vote.

**8. 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. Michael Henery  
School Business Administrator  
Springs Union Free School District  
48 School Street  
East Hampton, New York 11937



**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2020

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 5,355,640
Restricted	4,765,795
Receivables	
Accounts receivable	4,372
Due from fiduciary funds	1,271,367
Due from state and federal	833,670
Due from other governments	232,422
Other assets	20,418
Capital assets:	
Not being depreciated	4,998,333
Being depreciated, net of accumulated depreciation	3,891,977
Net pension asset - proportionate share	<u>1,393,312</u>
Total Assets	<u>22,767,306</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	5,280,443
Other postemployment benefits	<u>12,859,824</u>
Total Deferred Outflows of Resources	<u>18,140,267</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	2,005,754
Accrued liabilities	5,984
Due to other governments	2,094,846
Due to teachers' retirement system	889,949
Due to employees' retirement system	50,980
Unearned credits	
Collections in advance	6,479
Long-term liabilities	
Due and payable within one year	
Bond anticipation notes	135,000
Bonds payable	100,000
Installment purchase debt payable	82,953
Compensated absences payable	122,298
Due and payable after one year	
Bonds payable	100,000
Installment purchase debt payable	51,608
Compensated absences payable	1,201,462
Workers' compensation liabilities	79,826
Net pension liability - proportionate share	1,216,513
Total other postemployment liabilities	<u>49,419,770</u>
Total Liabilities	<u>57,563,422</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenues	21,360
Pensions	2,159,533
Other postemployment benefits	<u>4,188,777</u>
Total Deferred Inflows of Resources	<u>6,369,670</u>
<b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	<u>8,433,090</u>
Restricted	
Workers' compensation	165,479
Unemployment insurance	144,404
Retirement contribution	
Employees' retirement system	429,477
Employees' retirement system	187,336
Insurance	151,432
Employee benefit accrued liability	1,282,126
Capital	1,316,290
Repairs	<u>1,076,910</u>
	<u>4,753,454</u>
Unrestricted (deficit)	<u>(36,212,063)</u>
Total Net Position (Deficit)	<u>\$ (23,025,519)</u>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 2,866,339	\$	\$	\$ (2,866,339)
Instruction	27,562,158	82,885	577,693	(26,901,580)
Pupil transportation	1,517,503			(1,517,503)
Debt service - interest	103,435			(103,435)
Food service program	12,708	200	3,990	(8,518)
Total Functions and Programs	<b>\$ 32,062,143</b>	<b>\$ 83,085</b>	<b>\$ 581,683</b>	<b>(31,397,375)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				26,244,919
Other tax items				459,462
Sale of property and compensation for loss				7,638
Use of money and property				15,379
Miscellaneous				236,499
State sources				1,738,120
Medicaid reimbursement				59,136
Total General Revenues				28,761,153
Change in Net Position (Deficit)				(2,636,222)
Total Net Position (Deficit) - Beginning of Year				(20,389,297)
Total Net Position (Deficit) - End of Year				<b>\$ (23,025,519)</b>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
<b>Cash</b>					
Unrestricted	\$ 3,637,617	\$ 82,620	\$ 5,777	\$ 1,629,626	\$ 5,355,640
Restricted	3,738,615			1,027,180	4,765,795
<b>Receivables</b>					
Accounts receivable	4,372				4,372
Due from other funds	1,830,017			116,241	1,946,258
Due from state and federal	265,805	478,054		89,811	833,670
Due from other governments	232,422				232,422
<b>Total Assets</b>	<b>\$ 9,708,848</b>	<b>\$ 560,674</b>	<b>\$ 5,777</b>	<b>\$ 2,862,858</b>	<b>\$ 13,138,157</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Accounts payable	\$ 317,568		\$ 527	\$ 1,687,659	\$ 2,005,754
Accrued liabilities	860				860
Due to other funds	116,241	554,195	4,455		674,891
Due to other governments	2,094,846				2,094,846
Due to teachers' retirement system	889,949				889,949
Due to employees' retirement system	50,980				50,980
<b>Unearned credits</b>					
Collections in advance		6,479			6,479
<b>Total Liabilities</b>	<b>3,470,444</b>	<b>560,674</b>	<b>4,982</b>	<b>1,687,659</b>	<b>5,723,759</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenues	174,570			89,811	264,381
<b>FUND BALANCES</b>					
<b>Restricted:</b>					
Workers' compensation	165,479				165,479
Unemployment insurance	144,404				144,404
<b>Retirement contribution</b>					
Employees' retirement system	429,477				429,477
Teachers' retirement system	187,336				187,336
<b>Insurance</b>					
Employee benefit accrued liability	1,282,126				1,282,126
Capital	301,451			1,014,839	1,316,290
Repairs	1,076,910				1,076,910
Unspent debt proceeds				12,341	12,341
<b>Assigned:</b>					
Appropriated fund balance	1,031,165				1,031,165
Unappropriated fund balance	92,077		795	58,208	151,080
Unassigned: Fund balance	1,201,977				1,201,977
<b>Total Fund Balances</b>	<b>6,063,834</b>	<b>-</b>	<b>795</b>	<b>1,085,388</b>	<b>7,150,017</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 9,708,848</b>	<b>\$ 560,674</b>	<b>\$ 5,777</b>	<b>\$ 2,862,858</b>	<b>\$ 13,138,157</b>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2020

Total Governmental Fund Balances		\$ 7,150,017
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Cash held by third-party administrator is treated as a long-term asset and included in net position.		20,418
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	\$ 13,448,410	
Less: Accumulated depreciation	<u>(4,558,100)</u>	8,890,310
Proportionate share of long-term asset and liability, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	1,393,312	
Deferred outflows of resources	5,280,443	
Net pension liability - employees' retirement system	(1,216,513)	
Deferred inflows of resources	<u>(2,159,533)</u>	3,297,709
Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	12,859,824	
Total other postemployment benefits liability	(49,419,770)	
Deferred inflows of resources	<u>(4,188,777)</u>	(40,748,723)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		
		243,021
Long-term liabilities, including bonds payable, 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 bonds payable	(5,124)	
Bond anticipation notes payable	(135,000)	
Bonds payable	(200,000)	
Installment purchase debt payable	(134,561)	
Compensated absences payable	(1,323,760)	
Workers' compensation liabilities	<u>(79,826)</u>	(1,878,271)
Total Net Position (Deficit)		<u>\$ (23,025,519)</u>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For The Year Ended June 30, 2020**

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 26,244,919	\$	\$	\$	\$ 26,244,919
Other tax items	459,462				459,462
Charges for services	82,885				82,885
Sale of property and compensation for loss	7,638				7,638
Use of money and property	15,379				15,379
Miscellaneous	236,499		200		236,699
State sources	1,705,529	194,337			1,899,866
Medicaid reimbursement	59,136				59,136
Federal sources		383,356	3,990		387,346
<b>Total Revenues</b>	<b>28,811,447</b>	<b>577,693</b>	<b>4,190</b>	<b>-</b>	<b>29,393,330</b>
<b>EXPENDITURES</b>					
General support	1,958,870				1,958,870
Instruction	18,743,222	586,527			19,329,749
Pupil transportation	835,839	24,225			860,064
Employee benefits	5,164,544				5,164,544
Debt service					
Principal	180,720				180,720
Interest	106,183				106,183
Food service program			12,708		12,708
Capital outlay				4,310,845	4,310,845
<b>Total Expenditures</b>	<b>26,989,378</b>	<b>610,752</b>	<b>12,708</b>	<b>4,310,845</b>	<b>31,923,683</b>
Excess (Deficiency) of Revenues Over Expenditures	1,822,069	(33,059)	(8,518)	(4,310,845)	(2,530,353)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Proceeds of obligations				135,000	135,000
Operating transfers in		33,059	7,500	84,222	124,781
Operating transfers (out)	(124,781)				(124,781)
<b>Total Other Financing Sources and (Uses)</b>	<b>(124,781)</b>	<b>33,059</b>	<b>7,500</b>	<b>219,222</b>	<b>135,000</b>
<b>Net Change in Fund Balances</b>	<b>1,697,288</b>	<b>-</b>	<b>(1,018)</b>	<b>(4,091,623)</b>	<b>(2,395,353)</b>
<b>Fund Balances</b>					
Beginning of Year	4,366,546		1,813	5,177,011	9,545,370
End of Year	<u>\$ 6,063,834</u>	<u>\$ -</u>	<u>\$ 795</u>	<u>\$ 1,085,388</u>	<u>\$ 7,150,017</u>

**SPRINGS 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, 2020

Net Change in Fund Balances \$ (2,395,353)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received)

\$ 32,591

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by third-party administrator decreased in the period.

19,985

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 workers' compensation claims liability  
Decrease in compensated absences payable

16,709  
46,591

115,876

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, 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 capital outlays exceeded depreciation in the period.

Capital outlays and other additions  
Depreciation expense

4,262,107  
(302,202)

3,959,905

Long-Term Debt Transactions Differences

Proceeds from the issuance of long-term 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.

(135,000)

Repayment of long-term debt 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  
Repayment of installment purchase debt

100,000  
80,720

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 interest decreased from June 30, 2019 to June 30, 2020.

2,748

48,468

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  
Employees' retirement system  
Other postemployment benefits

(872,716)  
(219,569)  
(3,272,833)

(4,365,118)

Change in Total Net Position (Deficit) of Governmental Activities

\$ (2,636,222)

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Fund**  
**June 30, 2020**

	<u>Agency</u>
<b>ASSETS</b>	
Cash	<u>\$ 1,409,529</u>
<b>Total Assets</b>	<u><u>\$ 1,409,529</u></u>
<b>LIABILITIES</b>	
Extraclassroom activity balances	\$ 5,497
Due to governmental funds	1,271,367
Other liabilities	<u>132,665</u>
<b>Total Liabilities</b>	<u><u>\$ 1,409,529</u></u>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Springs 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 five 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, the following entity is included in the financial statements.

**Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**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.



**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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.

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

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

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 fund 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, other postemployment benefits, and pension costs, 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.

**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board no later than October 15<sup>th</sup> and become a lien on November 1<sup>st</sup>. Taxes are collected by the Town of East Hampton and remitted to the District from December to June.

Enforcement

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

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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 amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources and 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 compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of capital assets.

**J. Cash and Cash Equivalents/Investments**

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.

Investments are reported at fair value, based on quoted market prices.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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 an 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. 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:

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 1,000	50 years
Site improvements	1,000	20 years
Furniture and equipment	1,000	5-20 years
Vehicles	1,000	5-10 years

**M. Other Assets**

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

**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 two items that qualify for reporting in this category. First 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 second item is related to OPEB and represents changes 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.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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. 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.

**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 pay rates 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 30<sup>th</sup>.

**R. Other Benefits**

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State 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

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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 District has three items that qualify for reporting in this category. First is deferred revenues, reported in the governmental fund when potential revenues do not meet the availability criterion for recognition in the current period. This includes property taxes received by the District before the period for which the real property taxes are levied, and unavailable revenues, such as state aid allocation and smart schools bond act receivables. In subsequent periods, when the District has legal claim to the resources, and when the availability criterion is met the property taxes and receivables will be recognized as revenues. In the District-wide financial statements, property taxes remain as deferred inflows and unavailable revenues are treated as revenues. The second item, reported in the Statement of Net Position, 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. The third 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:

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*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.

*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 Teachers' Retirement System and 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. Effective April 1, 2019, a board may 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 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

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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.

*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 – 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 the 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.



**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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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.

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 Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

**2. 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 statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

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.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE FUND 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.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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.

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.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**4. 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 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 appropriation occurred during the year:

Appropriation from repair reserve to fund emergency projects	<u>\$ 84,222</u>
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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.

**5. 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:

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

- 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.

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.

**Investment Pool:**

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS) a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2020 are \$3,364,214,294, which consisted of \$214,167,351 in repurchase agreements, \$2,065,434,434 in U.S. Treasury Securities, and \$1,084,612,509 in collateralized bank deposits, with various interest rates and due dates.

The amount of \$753,170 is included as cash in the general fund.

The above amounts represent the cost of the investment pool shares, which approximates market value. The lead participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2020, the District was billed \$1,055,698 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$136,079. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2020 consisted of:

General Fund	
New York State - excess cost aid	\$ 265,805
Special Aid Fund	
Federal and state grants	478,054
Capital Projects Fund	
Smart Schools Bond Act	<u>89,811</u>
	<u>\$ 833,670</u>

District management expects these amounts to be fully collectible.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2020 consisted of:

General Fund		
BOCES aid	\$ 149,537	
Tuition from other districts	<u>82,885</u>	
	<u>\$ 232,422</u>	

District management expects these amounts to be fully collectible.

**9. CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 9,875	\$	\$	\$ 9,875
Construction in progress	1,095,178	3,893,280		4,988,458
Total capital assets not being depreciated	<u>1,105,053</u>	<u>3,893,280</u>	<u>-</u>	<u>4,998,333</u>
Capital assets being depreciated:				
Buildings and improvements	5,159,249			5,159,249
Site improvements	678,205			678,205
Furniture and equipment	667,317	246,168	(33,916)	879,569
Vehicles	1,610,395	122,659		1,733,054
Total capital assets being depreciated	<u>8,115,166</u>	<u>368,827</u>	<u>(33,916)</u>	<u>8,450,077</u>
Less accumulated depreciation for:				
Buildings and improvements	2,398,339	95,344		2,493,683
Site improvements	295,673	25,065		320,738
Furniture and equipment	367,649	58,315	(33,916)	392,048
Vehicles	1,228,153	123,478		1,351,631
Total accumulated depreciation	<u>4,289,814</u>	<u>302,202</u>	<u>(33,916)</u>	<u>4,558,100</u>
Total capital assets, being depreciated, net	<u>3,825,352</u>	<u>66,625</u>	<u>-</u>	<u>3,891,977</u>
Capital assets, net	<u>\$ 4,930,405</u>	<u>\$ 3,959,905</u>	<u>\$ -</u>	<u>\$ 8,890,310</u>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to governmental functions as follows:

General support	\$ 142,318
Instruction	36,406
Pupil transportation	<u>123,478</u>
Total depreciation expense	<u><u>\$ 302,202</u></u>

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,830,017	\$ 116,241	\$	\$ 124,781
Special Aid Fund		554,195	33,059	
School Food Service Fund		4,455	7,500	
Capital Projects Fund	<u>116,241</u>		<u>84,222</u>	
Total Governmental Funds	<u>1,946,258</u>	<u>674,891</u>	<u>\$ 124,781</u>	<u>\$ 124,781</u>
Fiduciary Fund		<u>1,271,367</u>		
Total	<u><u>\$ 1,946,258</u></u>	<u><u>\$ 1,946,258</u></u>		

The District typically transfers from the general fund to the special aid fund and the school food service fund in accordance with the general fund budget. The transfer to the special aid from the general fund is to provide the District's 20% share of the summer program for students with disabilities and amounts to subsidize the in-house summer program. The transfer to the school food service fund from the general fund is to subsidize the program. The transfer to the capital projects fund was a Board approved use of the repair reserve and was a general fund budget revision.

**11. SHORT-TERM DEBT**

Short-term activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2019	Issued	Redeemed	Balance June 30, 2020
TAN	6/25/2020	2.00%	<u>\$</u>	<u>\$ 6,000,000</u>	<u>\$ (6,000,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$87,333.

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**12. 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, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
BAN payable	\$	\$ 135,000	\$	\$ 135,000	\$ 135,000
Bonds payable	300,000		(100,000)	200,000	100,000
Installment purchase debt	215,281		(80,720)	134,561	82,953
Other long-term liabilities:					
Compensated absences	1,370,351		(46,591)	1,323,760	122,298
Workers' compensation	96,535	16,152	(32,861)	79,826	
	<u>\$ 1,982,167</u>	<u>\$ 151,152</u>	<u>\$ (260,172)</u>	<u>\$ 1,873,147</u>	<u>\$ 440,251</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, 2020
Building addition	10/15/2002	4/15/2022	3.75%	<u>\$ 200,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 100,000	\$ 8,500	\$ 108,500
2022	100,000	4,250	104,250
Total	<u>\$ 200,000</u>	<u>\$ 12,750</u>	<u>\$ 212,750</u>

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**C. Installment Purchase Debt**

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Thomas school bus	8/18/2017	8/18/2020	2.00%	\$ 32,985
Thomas school bus	8/30/2018	8/30/2021	3.28%	<u>101,576</u>
				<u>\$ 134,561</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 82,953	\$ 3,991	\$ 86,944
2022	<u>51,608</u>	<u>1,693</u>	<u>53,301</u>
Total	<u>\$ 134,561</u>	<u>\$ 5,684</u>	<u>\$ 140,245</u>

**D. Interest Expense**

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

Interest paid	\$ 18,850
Less interest accrued in the prior year	(7,872)
Plus interest accrued in the current year	<u>5,124</u>
Total interest expense on long-term debt	<u>\$ 16,102</u>

**E. Unissued Debt**

On March 8, 2018, the voters approved a bond issue not to exceed \$16,960,000 for an addition and improvements to the building. As of June 30, 2020, no debt has been issued, but work has commenced and expenditures are recorded in the capital projects fund.

**13. 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.



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**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 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](http://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](http://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 30<sup>th</sup>, 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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. 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 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 13.67% of covered payroll for the ERS' fiscal year ended March 31, 2020.

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The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020 was \$805,429 for TRS at the contribution rate of 8.86% and \$192,095 for ERS at an average contribution rate of 13.57%.

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

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2019, for TRS and March 31, 2020 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 systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 1,393,312	\$ (1,216,513)
District's portion of the Plan's total net pension asset/(liability)	0.053630%	0.0045940%
Change in proportion since the prior measurement date	(0.001726)	(0.0000318)

For the year ended June 30, 2020, the District recognized pension expense of \$1,679,216 for TRS and \$413,039 for ERS. At June 30, 2020, 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	\$ 944,212	\$ 71,597	\$ 103,609	\$
Changes of assumptions	2,632,154	24,495	641,794	21,151
Net difference between projected and actual earnings on pension plan investments		623,644	1,117,364	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	107,202	20,730	263,824	11,791
District contributions subsequent to the measurement date	<u>805,429</u>	<u>50,980</u>		
Total	<u>\$ 4,488,997</u>	<u>\$ 791,446</u>	<u>\$ 2,126,591</u>	<u>\$ 32,942</u>

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

Year Ending June 30,	TRS	ERS
2021	586,500	115,903
2022	(3,857)	181,654
2023	584,215	226,524
2024	382,718	183,443
2025	36,303	
Thereafter	(28,902)	
	<u>\$ 1,556,977</u>	<u>\$ 707,524</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018 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, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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, 2010 – March 31, 2015.

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

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return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by 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, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	100.0%		100.0%	

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.00%). 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 6.80% 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

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percentage point lower (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

TRS	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
District's proportionate share of the net pension asset (liability)	\$ (6,289,267)	\$ 1,393,312	\$ 7,838,129

ERS	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
District's proportionate share of the net pension asset (liability)	\$ (2,232,645)	\$ (1,216,513)	\$ (280,651)

**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, 2019	March 31, 2020
Employers' total pension liability	\$ (119,879,474)	\$ (194,596,261)
Plan fiduciary net position	122,477,481	168,115,682
Employers' net pension asset/(liability)	\$ 2,598,007	\$ (26,480,579)
Ratio of plan fiduciary net position to the employers' total pension liability	102.17%	86.39%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, 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, 2020 amounted to \$805,429 of employer contributions and \$84,520 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$50,980 of employer contributions. Employee contributions are remitted monthly.

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**14. 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 employees for the year ended June 30, 2020, totaled \$302,147.

**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, 2020 totaled \$27,225.

**15. 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	53
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>133</u>
	<u>186</u>

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**B. Total OPEB Liability**

The District's total OPEB liability of \$49,419,770 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

*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	3.00% average, including inflation
Discount rate	2.21%
Healthcare cost trend rates	4.70% for 2020, decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs	0 - 100% of projected health insurance premiums for retirees

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

Mortality rates were updated to Pub-2010 Teachers, General Employees, and Retirees Headcount-Weighted table projected fully generationally using MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

**C. Changes in the Total OPEB Liability**

Balance at June 30, 2019	<u>\$ 38,172,651</u>
Changes for the year	
Service cost	1,666,914
Interest	1,383,873
Changes of benefit terms	-
Differences between expected and actual experience	(3,200,256)
Changes in assumptions or other inputs	12,229,741
Benefit payments	<u>(833,153)</u>
	<u>11,247,119</u>
Balance at June 30, 2020	<u>\$ 49,419,770</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

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*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

OPEB	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability	<u>\$ (40,982,922)</u>	<u>\$ (49,419,770)</u>	<u>\$ (60,271,797)</u>

*Sensitivity of the Total OPEB Liability 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 (5.02% to 3.04%) or 1 percentage point higher (7.02% to 5.04%) than the current healthcare cost trend rate:

OPEB	1% Decrease 3.70% decreasing to 3.04%	Healthcare Cost Trend Rates 4.70% decreasing to 4.04%	1% Increase 5.70% decreasing to 5.04%
Total OPEB liability	<u>\$ (39,455,567)</u>	<u>\$ (49,419,770)</u>	<u>\$ (63,007,771)</u>

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

For the year June 30, 2020, the District recognized OPEB expense of \$4,105,986. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 2,844,672
Changes of assumptions or other inputs	12,859,824	1,344,105
Total	<u>\$ 12,859,824</u>	<u>\$ 4,188,777</u>



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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
2021	\$ 1,055,199
2022	1,055,199
2023	1,055,199
2024	1,055,199
2025	1,055,199
Thereafter	3,395,052
	\$ 8,671,047

**16. DEFERRED INFLOWS OF RESOURCES**

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2020, consists of that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State, in response to revenue losses. Deferred revenues for New York State aid receivable, in the general fund at June 30, 2020, total \$153,210.

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2020, is the amount due from New York State for improvements to educational technology and infrastructure to improve learning and opportunities for students throughout the state (Smart Schools Bond Act). Deferred revenues, in the capital projects fund at June 30, 2020, total \$89,811.

**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 reduction 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 New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

In addition, 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.

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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, 2020, as processed by the EEWCC, is \$79,826. Claims activity is summarized as follows:

	2019	2020
Claims at beginning of year	\$ 173,863	\$ 96,535
Incurred claims and claim adjustment expenses	5,421	16,152
Claims payments and expenses	(82,749)	(32,861)
Claims liabilities at end of year	\$ 96,535	\$ 79,826

The EEWCC is holding \$20,418 of cash on account for the District to satisfy these liabilities at June 30, 2020.

The EEWCC has issued financial statements for the year ended June 30, 2020. Copies of these statements can be obtained from the District's Business Office.

**18. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2020 restricted fund balances, to fund the budget for the year ending June 30, 2021.

Retirement contribution	
Employees' retirement system	\$ 100,000
Unemployment insurance	100,000
	\$ 200,000

**19. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$1,031,165 has been appropriated to reduce taxes for the year ending June 30, 2021.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**20. RESTRICTED FOR CAPITAL RESERVE**

The following is a summary of the District's restricted reserve activities since inception:

	<u>Capital Reserve</u>
	<u>2014</u>
Date Created	May 2014
Number of Years to Fund	10
Maximum Funding	<u>\$ 10,000,000</u>
<b>General Fund</b>	
Funding Provided Since Inception	\$ 6,295,007
Interest Earnings Since Inception	9,742
Use of Reserve Since Inception	<u>(6,003,298)</u>
Total General Fund	<u>301,451</u>
<b>Capital Fund</b>	
Funding Provided Since Inception	6,003,298
Use of Reserve Since Inception	<u>(4,988,459)</u>
Total Capital Fund	<u>1,014,839</u>
Balance as of June 30, 2020	<u>\$ 1,316,290</u>

**21. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts, classified as assigned unappropriated fund balance:

<b>General Fund</b>	
General Support	\$ 44,092
Instruction	28,665
Pupil Transportation	19,320
	92,077
<b>Capital Projects Fund</b>	
Capital Projects	17,228,836
	<u>\$ 17,320,913</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. The District's administration believes disallowances, if any, would be immaterial.

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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.

**22. 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 2, 2020, the District issued tax anticipation notes in the amount of \$6,000,000, which are due June 25, 2021 and bear interest of 1.5%.

**B. Issuance of Bonds**

On September 2, 2020, the District issued bonds in the amount of \$16,960,000, which are due September 1, 2041 and bear interest at rates ranging from 1.0% to 2.0%. The bond issuance included a premium of \$337,215.

**C. Impact of COVID-19**

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID-19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

**SUPPLEMENTARY INFORMATION**

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 26,204,533	\$ 26,204,533	\$ 26,244,919	\$ 40,386
Other tax items	493,000	493,000	459,462	(33,538)
Charges for services	91,667	91,667	82,885	(8,782)
Sale of property and compensation for loss			7,638	7,638
Use of money and property	15,000	15,000	15,379	379
Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>236,499</u>	<u>136,499</u>
Total Local Sources	26,904,200	26,904,200	27,046,782	142,582
State Sources	1,688,444	1,688,444	1,705,529	17,085
Medicaid Reimbursement	<u>75,000</u>	<u>75,000</u>	<u>59,136</u>	<u>(15,864)</u>
Total Revenues	<u>28,667,644</u>	<u>28,667,644</u>	<u>28,811,447</u>	<u>\$ 143,803</u>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	824,516	824,516		
Prior Year's Encumbrances	9,775	9,775		
Appropriated Reserves	<u>200,000</u>	<u>284,222</u>		
Total Appropriated Fund Balance	<u>1,034,291</u>	<u>1,118,513</u>		
Total Revenues and Appropriated Fund Balance	<u>\$ 29,701,935</u>	<u>\$ 29,786,157</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.

**SPRINGS 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, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 54,855	\$ 56,246	\$ 52,736	\$	\$ 3,510
Central administration	248,747	258,305	251,992		6,313
Finance	364,688	380,153	359,206	679	20,268
Staff	89,300	89,840	77,683	250	11,907
Central services	1,190,552	1,201,137	1,012,036	43,163	145,938
Special items	233,825	215,414	205,217		10,197
<b>Total General Support</b>	<b>2,181,967</b>	<b>2,201,095</b>	<b>1,958,870</b>	<b>44,092</b>	<b>198,133</b>
<b>Instruction</b>					
Administration & improvement	612,028	616,187	589,774	100	26,313
Teaching - regular school	12,989,999	12,872,197	12,313,032	946	558,219
Programs for students with disabilities	5,555,082	5,437,659	4,282,689	19,482	1,135,488
Instructional media	760,531	755,937	713,605	8,067	34,265
Pupil services	898,709	927,389	844,122	70	83,197
<b>Total Instruction</b>	<b>20,816,349</b>	<b>20,609,369</b>	<b>18,743,222</b>	<b>28,665</b>	<b>1,837,482</b>
<b>Pupil Transportation</b>	<b>1,032,119</b>	<b>1,031,360</b>	<b>835,839</b>	<b>19,320</b>	<b>176,201</b>
<b>Employee Benefits</b>	<b>5,244,600</b>	<b>5,401,128</b>	<b>5,164,544</b>		<b>236,584</b>
<b>Debt Service</b>					
Principal	181,100	181,100	180,720		380
Interest	74,100	106,183	106,183		-
<b>Total Debt Service</b>	<b>255,200</b>	<b>287,283</b>	<b>286,903</b>	<b>-</b>	<b>380</b>
<b>Total Expenditures</b>	<b>29,530,235</b>	<b>29,530,235</b>	<b>26,989,378</b>	<b>92,077</b>	<b>2,448,780</b>
<b>OTHER USES</b>					
Operating Transfers Out	171,700	255,922	124,781		131,141
<b>Total Expenditures and Other Uses</b>	<b>\$ 29,701,935</b>	<b>\$ 29,786,157</b>	<b>27,114,159</b>	<b>\$ 92,077</b>	<b>\$ 2,579,921</b>
<b>Net Change in Fund Balance</b>			<b>1,697,288</b>		
<b>Fund Balance - Beginning of Year</b>			<b>4,366,546</b>		
<b>Fund Balance - End of Year</b>			<b>\$ 6,063,834</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

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

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.053630%	0.055356%	0.052915%	0.051805%	0.050681%	0.047066%	0.046311%
District's proportionate share of the net pension asset/(liability)	\$ 1,393,312	\$ 1,000,986	\$ 402,208	\$ (554,858)	\$ 5,264,107	\$ 5,242,910	\$ 304,840
District's covered payroll	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777	\$ 6,805,939
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.56 %	11.10 %	(4.70)%	(6.62)%	69.20 %	75.14 %	4.48 %
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)	0.0045940%	0.0046258%	0.0046086%	0.0041419%	0.0049802%	0.0048056%	0.0048056%
District's proportionate share of the net pension (liability)	\$ (1,216,513)	\$ (327,749)	\$ (148,741)	\$ (389,186)	\$ (799,336)	\$ (162,346)	\$ (217,160)
District's covered payroll	\$ 1,407,412	\$ 1,236,755	\$ 1,114,902	\$ 1,098,828	\$ 1,563,428	\$ 1,114,245	\$ 1,060,801
District's proportionate share of the net pension (liability) as a percentage of its covered payroll	86.44 %	26.50 %	13.34 %	35.42 %	51.13 %	14.57 %	20.47 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	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.*

*The amounts presented for each fiscal year were determined as of the measurement dates of the plans.*



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

*Teachers' Retirement System*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 805,429	\$ 950,674	\$ 883,657	\$ 998,853	\$ 1,061,341	\$ 1,331,946	\$ 1,120,076	\$ 803,825	\$ 783,025	\$ 600,626
Contributions in relation to the contractually required contribution	<u>805,429</u>	<u>950,674</u>	<u>883,657</u>	<u>998,853</u>	<u>1,061,341</u>	<u>1,331,946</u>	<u>1,120,076</u>	<u>803,825</u>	<u>783,025</u>	<u>600,626</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	\$ 9,090,620	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777	\$ 6,805,939	\$ 7,050,009	\$ 7,067,543
Contributions as a percentage of covered payroll	9%	11%	10%	12%	13%	18%	16%	12%	11%	8%

*Employees' Retirement System*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 192,095	\$ 170,283	\$ 190,873	\$ 162,264	\$ 216,705	\$ 202,177	\$ 206,898	\$ 198,366	\$ 126,360	\$ 123,356
Contributions in relation to the contractually required contribution	<u>192,095</u>	<u>170,283</u>	<u>190,873</u>	<u>162,264</u>	<u>216,705</u>	<u>202,177</u>	<u>206,898</u>	<u>198,366</u>	<u>126,360</u>	<u>123,356</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	\$ 1,415,611	\$ 1,362,210	\$ 1,241,973	\$ 1,150,794	\$ 1,179,214	\$ 1,135,265	\$ 1,074,174	\$ 1,039,809	\$ 1,016,117	\$ 1,031,923
Contributions as a percentage of covered payroll	14%	13%	15%	14%	18%	18%	19%	19%	12%	12%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 1,666,914	\$ 1,440,964	\$ 1,567,932
Interest	1,383,873	1,346,889	1,189,614
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(3,200,256)	-	-
Changes in assumptions or other inputs	12,229,741	2,416,645	(1,829,889)
Benefit payments	<u>(833,153)</u>	<u>(781,019)</u>	<u>(815,861)</u>
<b>Net Change in Total OPEB Liability</b>	11,247,119	4,423,479	111,796
<b>Total OPEB liability, beginning</b>	<u>38,172,651</u>	<u>33,749,172</u>	<u>33,637,376</u>
<b>Total OPEB liability, ending</b>	<u>\$ 49,419,770</u>	<u>\$ 38,172,651</u>	<u>\$ 33,749,172</u>
<b>Covered employee payroll</b>	\$ 9,991,522	\$ 9,337,076	\$ 9,468,743
<b>Total OPEB liability as a percentage of covered employee payroll</b>	495%	409%	356%
<b>Discount rate</b>	2.21%	3.51%	3.87%
<b>Healthcare trend rates</b>	4.70% to 4.04% by 2075	8.0% to 5.0% by 2021	8.0% to 5.0% by 2021

*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.*

**Notes to Required Supplementary Information**

**Trust Assets**

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

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

**SPRINGS 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, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 29,692,160
Additions:		
Prior year's encumbrances		9,775
Original Budget		29,701,935
Budget revisions		84,222
Final Budget		\$ 29,786,157

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

2020-2021 voter-approved expenditure budget		\$ 30,049,430
Maximum allowed (4% of 2020-2021 budget)		\$ 1,201,977
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,123,242	
Unassigned fund balance	1,201,977	
		\$ 2,325,219
Less:		
Appropriated fund balance	1,031,165	
Encumbrances	92,077	
Total adjustments		1,123,242
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:		\$ 1,201,977
Actual Percentage		4.00%

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources-Capital Projects Fund**  
**For The Year Ended June 30, 2020**

PROJECT TITLE	Budget June 30, 2019	Budget June 30, 2020	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2020	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Vestibule Project SED Project 0001-14	\$ 168,000	\$ 168,000	\$ 161,229	\$	\$ 161,229	\$ 6,771	\$	\$	\$ 168,000	\$ 168,000	\$ 6,771
District-Wide Improvements 2015	165,000	165,000	70,581		70,581	94,419			165,000	165,000	94,419
District-Wide Improvements 2016	100,000	100,000	68,629		68,629	31,371			100,000	100,000	31,371
District-Wide Improvements 2017	50,000	50,000	34,682		34,682	15,318			50,000	50,000	15,318
District-Wide Improvements 2018	135,000	135,000	134,860		134,860	140			135,000	135,000	140
Smart Schools Bond Project	136,000	136,000	110,572		110,572	25,428		136,000		136,000	25,428
General construction	22,963,298	22,963,298	884,495	4,103,964	4,988,459	17,974,839	16,960,000		6,003,298	22,963,298	17,974,839
Consensate Truck		84,222		84,222	84,222	-			84,222	84,222	-
Bus purchase		135,000		122,659	122,659	12,341	135,000			135,000	12,341
<b>Totals</b>	<b>\$ 23,717,298</b>	<b>\$ 23,936,520</b>	<b>\$ 1,465,048</b>	<b>\$ 4,310,845</b>	<b>\$ 5,775,893</b>	<b>\$ 18,160,627</b>	<b>\$ 17,095,000</b>	<b>\$ 136,000</b>	<b>\$ 6,705,520</b>	<b>\$ 23,936,520</b>	<b>18,160,627</b>
									Portion of Smart Schools Bond Act not yet recognized		(115,239)
									Bond proceeds not yet recognized		(16,960,000)
											<b>\$ 1,085,388</b>

**SPRINGS UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2020

Capital assets, net	<u>\$ 8,890,310</u>
Deduct:	
Bond anticipation notes payable	135,000
Less: Unspent debt proceeds	(12,341)
Short-term portion of bonds payable	100,000
Long-term portion of bonds payable	100,000
Short-term portion of installment purchase debt	82,953
Long-term portion of installment purchase debt	<u>51,608</u>
	<u>457,220</u>
Net investment in capital assets	<u><u>\$ 8,433,090</u></u>



**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  
Springs Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Springs Union Free School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Springs Union Free School District's basic financial statements, and have issued our report thereon dated November 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Springs Union Free School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Springs Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Springs 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 Springs 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
November 13, 2020