



**TUXEDO UNION FREE SCHOOL DISTRICT  
TUXEDO, NEW YORK**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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

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

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and each major fund of the Tuxedo Union Free School District as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## ***Changes in Accounting Principles and Prior Period Adjustment***

As described in Note 3 to the financial statements, in 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 84, Fiduciary Activities. The effect of GASB Statement No. 84 required a prior period adjustment as discussed in Note 14 to the financial statements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-14 and 49-52, 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 District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department.

The other supplementary information requested by the New York State Education Department 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hauppauge, New York  
November 17, 2021

Preliminary and Tentative  
For Discussion Purposes Only

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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

**FINANCIAL HIGHLIGHTS**

- Revenues increased by 3.7% as a result of increased real property taxes, State sources and miscellaneous sources, offset by decreases in charges for services and operating grants. Expenses increased by 15.5% as a result of increased general support, instructional and pupil transportation expenses;
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances;
- As of June 30, 2021, the District the governmental funds reported combined fund balance of \$5,242,856, an increase of \$154,029 from the prior year, as restated.
- During the fiscal year, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which provides clearer guidance on identifying fiduciary activities for accounting and reporting purposes. The effect of GASB Statement No. 84 required a prior period adjustment as discussed in Note 14 to the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide financial statements. The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements including a comparison of the District's General Fund budget and actual results for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the financial statements.

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

<b>Table A-1: Major Features of the District-Wide and Fund Financial Statements</b>		
	District-Wide Financial Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

### **District-wide Financial Statements**

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District maintains governmental funds, which are described as follows:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Position**

The District's net position decreased by 23.0% from the year before to a net deficit position balance of \$17,098,129, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$3,426,089 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2021, the District has an unrestricted net deficit of \$31,343,466. This deficit is primarily driven by the District's required recognition of the total other postemployment benefit ("OPEB") liability of \$36,885,623 as required by GASB Statement No. 75.

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**Table A-2:** Condensed Statements of Net Position - Governmental Activities

	<u>6/30/21</u>	<u>(As Restated) 6/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 6,028,820	\$ 6,211,158	\$ (182,338)	(2.9)
Capital assets, net	<u>10,987,811</u>	<u>11,317,493</u>	<u>(329,682)</u>	(2.9)
Total assets	<u>17,016,631</u>	<u>17,528,651</u>	<u>(512,020)</u>	(2.9)
Deferred outflows of resources	<u>7,315,062</u>	<u>6,080,539</u>	<u>1,234,523</u>	20.3
Current liabilities	876,576	582,541	294,035	50.5
Long-term liabilities	<u>38,174,877</u>	<u>34,530,122</u>	<u>3,644,755</u>	10.6
Total liabilities	<u>39,051,453</u>	<u>35,112,663</u>	<u>3,938,790</u>	11.2
Deferred inflows of resources	<u>2,378,369</u>	<u>2,400,196</u>	<u>(21,827)</u>	(0.9)
Net position:				
Net investment in capital assets	10,819,248	11,098,276	(279,028)	(2.5)
Restricted	3,426,089	1,632,966	1,793,123	109.8
Unrestricted (deficit)	<u>(31,343,466)</u>	<u>(26,634,911)</u>	<u>(4,708,555)</u>	(17.7)
Total net position (deficit)	<u>\$ (17,098,129)</u>	<u>\$ (13,903,669)</u>	<u>\$ (3,194,460)</u>	(23.0)

As of June 30, 2021, the District had positive working capital of \$1,636,192 as compared to \$3,540,147 as of June 30, 2020. The decrease is primarily due to an decrease in unrestricted cash of \$1,927,917 and an increase in accounts payable of \$180,627.

As of June 30, 2021, the District had an investment in net capital assets of \$10,819,248 as compared to \$11,098,276 as of June 30, 2020. The decrease from 2020 is due to current year depreciation charges exceeding capital outlay.

Long-term liabilities increased \$3,644,755 primarily due to the changes in the total OPEB liability and proportionate share of net pension liability.

### **Changes in Net Position**

The District's fiscal year 2021 revenues totaled \$13,570,945 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 82 cents and 8 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other tax items, charges for services, operating grants, miscellaneous, and use of money and property.

Revenues increased 3.7% or \$488,869, primarily as a result of an increase in real property taxes of \$85,256 (based on assessed valuation), an increase in State sources of \$133,991, and an increase in miscellaneous sources of \$431,845, offset by a decrease in charges for services of \$84,043, operating grants of \$65,601 and other tax items of \$24,531.

The District's fiscal year 2021 expenses totaled \$16,765,405 (See Table A-3). These expenses (79 percent) are predominantly related to instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 21 percent of total costs.



**TUXEDO UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

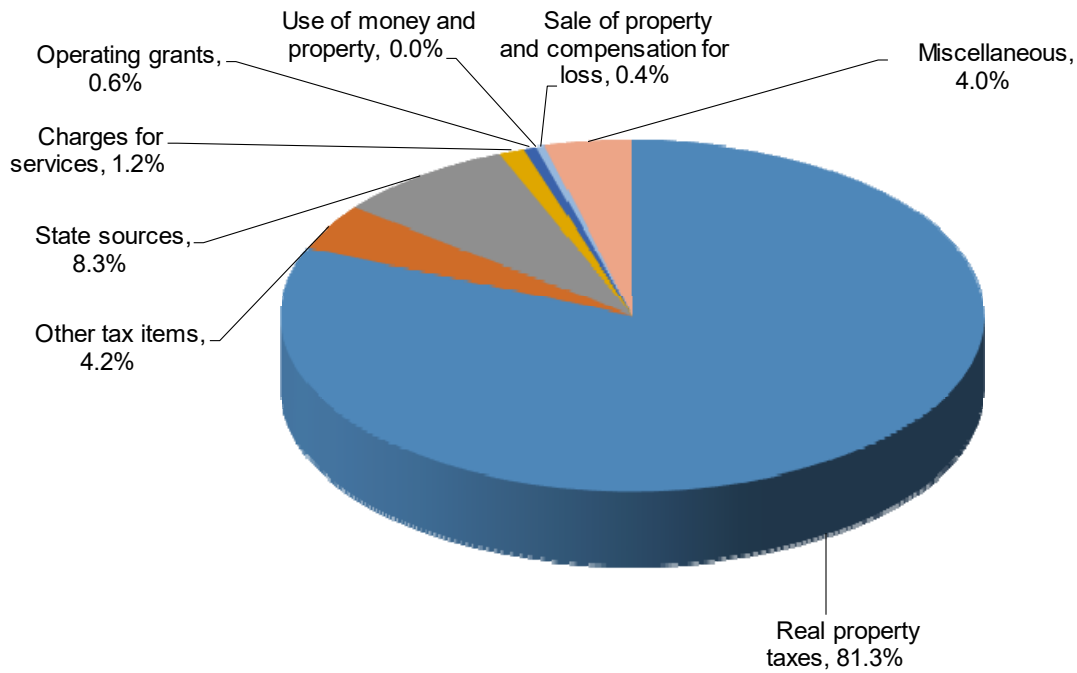
**Table A-3:** Changes in Net Position from Operating Results - Governmental Activities Only

	<u>6/30/21</u>	<u>6/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 161,371	\$ 245,414	\$ (84,043)	(34.2)
Operating grants	83,410	149,011	(65,601)	(44.0)
General revenues:				
Real property taxes	11,039,669	10,954,413	85,256	0.8
Other tax items	565,543	590,074	(24,531)	(4.2)
Use of money and property	1,041	11,780	(10,739)	(91.2)
Sale of property and compensation for loss	55,336	32,645	22,691	100.0
State sources	1,119,221	985,230	133,991	13.6
Miscellaneous	545,354	113,509	431,845	380.5
Total revenues	<u>13,570,945</u>	<u>13,082,076</u>	<u>488,869</u>	3.7
<b>Expenses</b>				
General support	3,482,632	3,308,949	173,683	5.2
Instruction	11,757,585	9,841,978	1,915,607	19.5
Pupil transportation	1,436,162	1,250,123	186,039	14.9
Debt service - interest	9,496	12,224	(2,728)	(22.3)
School lunch program	79,530	96,080	(16,550)	(17.2)
Total expenses	<u>16,765,405</u>	<u>14,509,354</u>	<u>2,256,051</u>	15.5
Decrease in net position	(3,194,460)	(1,427,278)	(1,767,182)	(123.8)
Net position (deficit), beginning of year	(13,903,669)	(12,439,520)	(1,464,149)	(11.8)
Prior period adjustment, see Note 14	-	(36,871)	36,871	100.0
Net position (deficit), end of year	<u>\$ (17,098,129)</u>	<u>\$ (13,903,669)</u>	<u>\$ (3,194,460)</u>	(23.0)

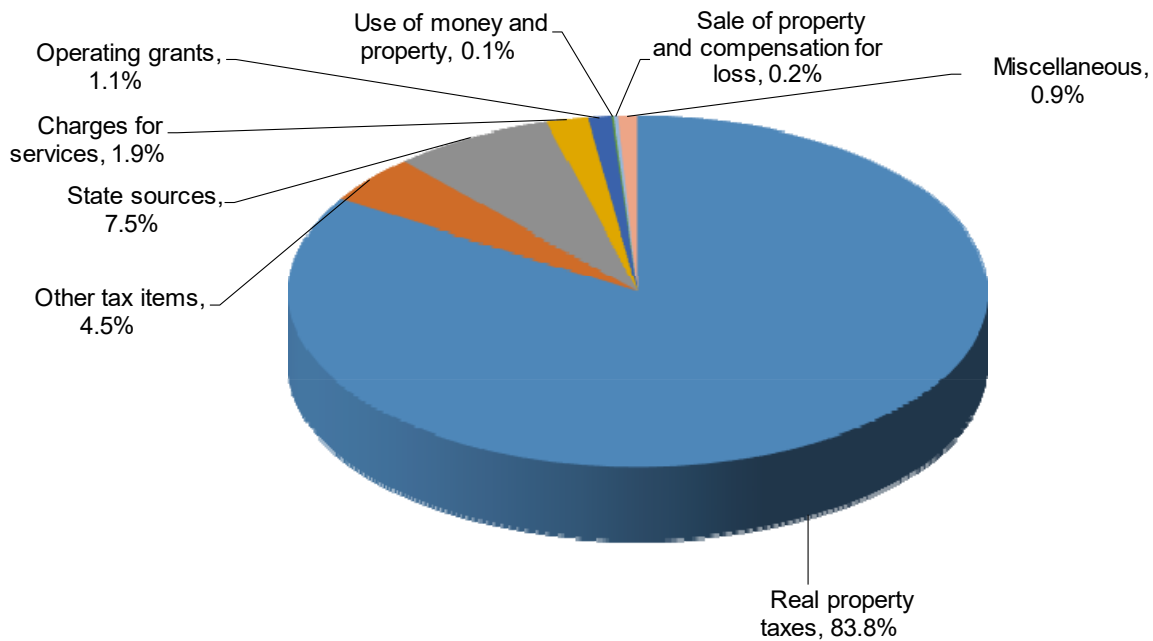
**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**Table A-4: Sources of Revenues for Fiscal Year 2021**



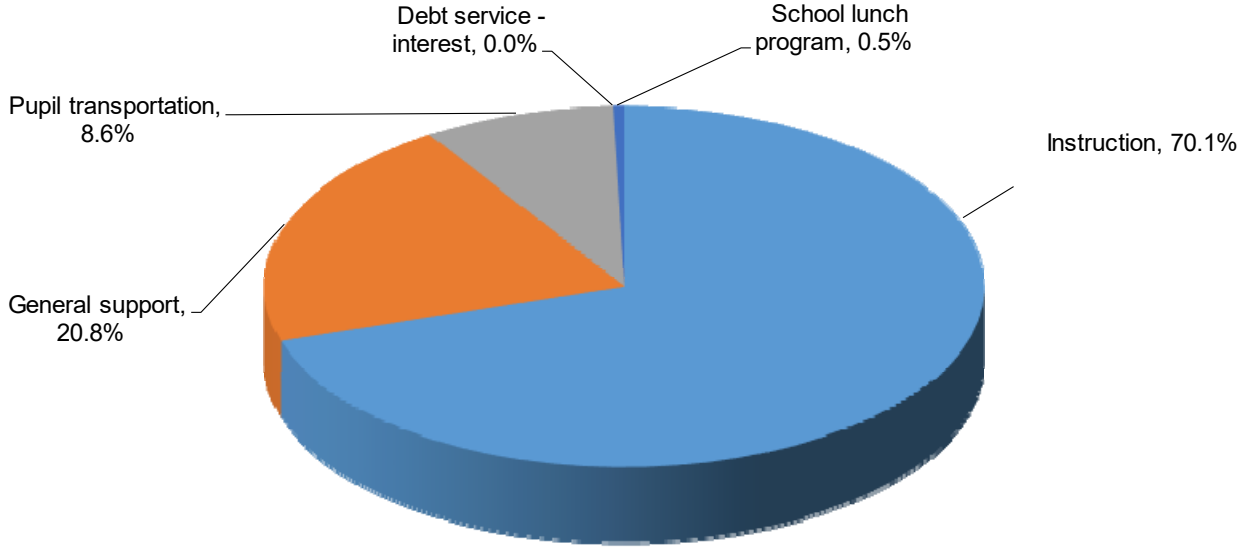
**Table A-5: Sources of Revenues for Fiscal Year 2020**



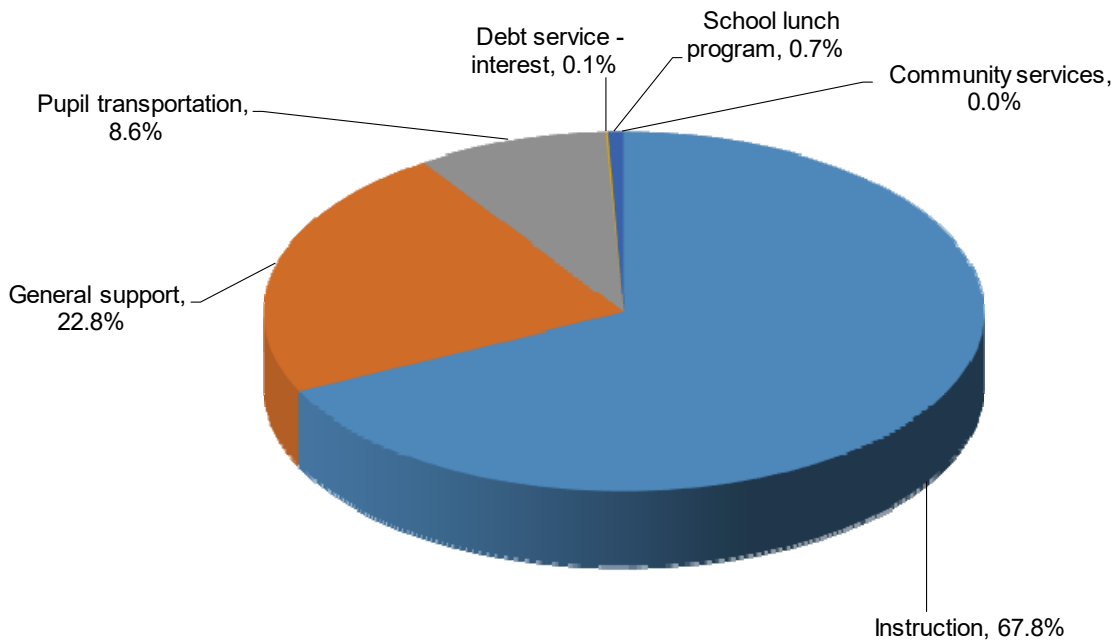
**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**Table A-6:** Expenses for Fiscal Year 2021



**Table A-7:** Expenses for Fiscal Year 2020



### **Governmental Activities**

Revenues for the District's governmental activities totaled \$13,570,945 while total expenses were \$16,765,405. Therefore, the decrease in net position for governmental activities was \$3,194,460 in 2021. The District's financial condition was affected by:

- An increase in real property tax revenue;
- Changes in State aid (sources);
- Changes in the total OPEB liability; and
- Impacts of COVID-19.

The major changes in revenues and expenses are as follows:

#### Revenues:

- Real property taxes increased by \$85,256. This increase was within the tax cap, reflects a modest tax increase to residents and allows for a continued strong educational program.
- Unrestricted State sources (aid) increased by \$133,991, or 13.6% during the year ended June 30, 2021, primarily due to increased BOCES aid.
- Miscellaneous sources increased by \$431,845, or 380.5% during the year ended June 30, 2021, primarily due to refunds of prior year expenses and a BOCES surplus distribution.

#### Expenses:

- General support expenses increased \$173,683 and instruction expenses increased \$1,915,607 primarily due to the changes in the District's proportionate share of the net pension liabilities and changes in the total OPEB liability, as well as the increased costs incurred as a result of COVID-19.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$5,242,856, which is an increase of \$154,029 from June 30, 2020, as restated. Fund balances for the District's governmental funds for the past two years were distributed as follows:

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**Table A-8: Fund Balances - Governmental Funds**

	<u>6/30/21</u>	<u>(As Restated) 6/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Nonspendable:				
Prepaid expenses	\$ 194,197	\$ -	\$ 194,197	100.0
Restricted:				
Capital	2,000,055	250,000	1,750,055	700.0
Employee Benefit Accrued Liability	407,980	407,891	89	0.0
Unemployment Insurance	50,011	50,000	11	0.0
Workers' Compensation	200,044	200,000	44	0.0
Retirement Contributions	200,044	200,000	44	0.0
Repairs	150,033	150,000	33	0.0
Tax Certiorari	166,190	166,154	36	0.0
Assigned:				
Appropriated for subsequent year's expenditures	797,021	811,418	(14,397)	(1.8)
Encumbrances	563,653	194,172	369,481	190.3
Unassigned	<u>238,130</u>	<u>2,308,430</u>	<u>(2,070,300)</u>	<u>(89.7)</u>
Total General Fund	<u>4,967,358</u>	<u>4,738,065</u>	<u>229,293</u>	<u>4.8</u>
<b>School Lunch Fund</b>				
Nonspendable:				
Inventory	12,511	8,685	3,826	44.1
Assigned:				
School Lunch Fund	<u>11,255</u>	<u>(56,750)</u>	<u>68,005</u>	<u>(119.8)</u>
Total School Lunch Fund	<u>23,766</u>	<u>(48,065)</u>	<u>71,831</u>	<u>(149.4)</u>
<b>Other Miscellaneous Special Revenue Fund</b>				
Restricted:				
Extraclassroom Activity Funds	26,545	34,786	(8,241)	(23.7)
Scholarships	<u>35,281</u>	<u>30,458</u>	<u>4,823</u>	<u>15.8</u>
Total Other Miscellaneous Special Revenue Fund	<u>61,826</u>	<u>65,244</u>	<u>(3,418)</u>	<u>(5.2)</u>
<b>Debt Service Fund</b>				
Restricted:				
Debt Service	<u>-</u>	<u>143,677</u>	<u>(143,677)</u>	<u>(100.0)</u>
Total Debt Service Fund	<u>-</u>	<u>143,677</u>	<u>(143,677)</u>	<u>(100.0)</u>
<b>Capital Projects Fund</b>				
Restricted:				
District improvements	<u>189,906</u>	<u>189,906</u>	<u>-</u>	<u>0.0</u>
Total Capital Projects Fund	<u>189,906</u>	<u>189,906</u>	<u>-</u>	<u>0.0</u>
Total fund balance	<u>\$ 5,242,856</u>	<u>\$ 5,088,827</u>	<u>\$ 154,029</u>	<u>3.0</u>

**General Fund**

The General Fund reported an increase in fund balance of \$229,293 for fiscal 2021, as compared to an increase of \$385,989 for fiscal 2020. Revenues increased \$576,186 as a result of the increase in the budgeted property tax levy, as well as increases in State sources and miscellaneous sources. Expenditures increased \$673,207 due to increases in most categories. As a result of the revenues exceeding expenditures, the District reported an increase in net position. The District also performed favorably compared to the budgeted expectations, as shown on page 49.

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**General Fund Budgetary Highlights**

Reference is made to the supplementary schedule on page 49 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were more than the final budgeted revenues by approximately \$589,000
- Actual expenditures were approximately \$184,000 (including encumbrances of approximately \$564,000) less than final budget (not including interfund transfers).

At June 30, 2021, the District's unassigned fund balance was \$238,130 which was within the allowable 4% of the subsequent year's budget (\$13,699,533) as promulgated by New York State (see page 53). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2021:

Unassigned fund balance, beginning of year	\$ 2,308,430
Add:	
Net change in fund balance	229,293
Prior-year appropriated fund balance	811,418
Prior-year encumbrances	194,172
Less:	
Current-year nonspendable fund balance	(194,197)
Current-year appropriated fund balance	(797,021)
Current-year encumbrances	(563,653)
Board approved transfer to Capital Reserve (including interest)	(1,750,055)
Interest on Employee Benefit Accrued Liability Reserve	(89)
Interest on Unemployment Insurance Reserve	(11)
Interest on Workers' Compensation Reserve	(44)
Interest on Retirement Contributions Reserve	(44)
Interest on Repairs Reserve	(33)
Interest on Tax Certiorari Reserve	(36)
Unassigned fund balance, end of year	<u><u>\$ 238,130</u></u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2021, the District had invested \$10,987,811 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices.

**Table A-9:** Capital Assets (net of depreciation)

	<u>6/30/21</u>	<u>6/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 236,933	\$ 236,933	\$ -	0.0
Land improvements	2,573	4,899	(2,326)	(47.5)
Buildings and building improvements	10,687,777	11,024,122	(336,345)	(3.1)
Machinery and equipment	42,795	49,135	(6,340)	(12.9)
Vehicles	17,733	2,404	15,329	637.6
Totals	<u><u>\$ 10,987,811</u></u>	<u><u>\$ 11,317,493</u></u>	<u><u>\$ (329,682)</u></u>	(2.9)

**TUXEDO UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Preliminary and Tentative  
For Discussion Purposes Only

**Long-Term Debt**

At year-end, the District had \$726,505 in long-term debt.

**Table A-10:** Outstanding Long-Term Debt

	<u>6/30/21</u>	<u>(As Restated)</u> <u>6/30/20</u>	<u>\$ Change</u>	<u>% Change</u>
Installment purchase debt payable	\$ 168,563	\$ 219,217	\$ (50,654)	(23.1)
Workers' Compensation claims payable	90,180	102,115	(11,935)	(11.7)
Compensated absences	<u>467,762</u>	<u>460,815</u>	<u>6,947</u>	1.5
Totals	<u>\$ 726,505</u>	<u>\$ 782,147</u>	<u>\$ (55,642)</u>	(7.1)

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.
- The General Fund Budget for the 2021-2022 school year was approved by the voters in the amount of \$13,699,533, which represents an no increase over the Original Budget for the 2020-21 school year.
- The General Fund budget for the 2021-2022 school year is impacted by certain trends affecting school districts. These include potential increases in retirement contributions, health insurance costs, Workers' Compensation judgments and potential unemployment insurance claims, which are beyond the District's control.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Tuxedo Union Free School District  
District Offices  
Attn: Business Manager  
1 Tornado Drive  
Tuxedo, NY 10987  
(845) 354-2296



**TUXEDO UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

<b>ASSETS</b>	
Unrestricted cash	\$ 1,809,205
Receivables:	
State and federal aid	252,828
Due from other governments	242,084
Other	1,943
Inventories	12,511
Prepaid expenses	194,197
Restricted cash	3,516,052
Capital assets:	
Non-depreciable	236,933
Depreciable, net of accumulated depreciation of \$7,582,587	<u>10,750,878</u>
Total assets	<u>17,016,631</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pensions	3,464,205
Deferred outflows from OPEB	<u>3,850,857</u>
Total deferred outflows of resources	<u>7,315,062</u>
<b>LIABILITIES</b>	
Accounts payable	195,036
Accrued interest payable	6,669
Accrued liabilities	100,593
Due to other governments	16,495
Due to teachers' retirement system	423,122
Due to employees' retirement system	49,193
Unearned revenues	1,525
Long-term liabilities, due within one year:	
Installment purchase debt payable	53,325
Workers' Compensation claims payable	9,018
Compensated absences	21,600
Long-term liabilities, due after one year:	
Installment purchase debt payable	115,238
Workers' Compensation claims payable	81,162
Compensated absences	446,162
Proportionate share of net pension liability	646,692
Other postemployment benefits obligation	<u>36,885,623</u>
Total liabilities	<u>39,051,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	1,434,506
Deferred inflows from OPEB	<u>943,863</u>
Total deferred inflows of resources	<u>2,378,369</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,819,248
Restricted:	
Capital	2,000,055
Employee Benefit Accrued Liability	407,980
Unemployment Insurance	50,011
Workers' Compensation	200,044
Retirement Contributions	200,044
Repairs	150,033
Liability Claims	166,190
Scholarships and student activities	61,826
District Improvements	189,906
Unrestricted	<u>(31,343,466)</u>
Total net position	<u>\$ (17,098,129)</u>

The accompanying notes to financial statements are an  
integral part of this statement.

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
				<b>Net Position</b>
Functions and programs:				
General support	\$ 3,482,632	\$ 26,060	\$ 10,977	\$ (3,445,595)
Instruction	11,757,585	117,112	49,324	(11,591,149)
Pupil transportation	1,436,162	10,518	4,430	(1,421,214)
Debt service - interest	9,496	-	-	(9,496)
School lunch program	79,530	7,681	18,679	(53,170)
Total functions and programs	<u>\$ 16,765,405</u>	<u>\$ 161,371</u>	<u>\$ 83,410</u>	<u>(16,520,624)</u>
General revenues:				
Real property taxes				11,039,669
Other tax items				565,543
Use of money and property				1,041
Sale of property and compensation for loss				55,336
State sources				1,119,221
Miscellaneous				<u>545,354</u>
Total general revenues				<u>13,326,164</u>
Change in net position				(3,194,460)
Total net position, beginning of year, as restated, see Note 14				<u>(13,903,669)</u>
Total net position, end of year				<u>\$ (17,098,129)</u>

The accompanying notes to financial statements are an  
integral part of this statement.

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

	Major Funds						
	Special Revenue Funds						
	General	Special Aid	School Lunch	Other Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS							
Unrestricted cash	\$ 1,809,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,809,205
Receivables:							
State and federal aid	220,411	26,172	6,245	-	-	-	252,828
Due from other governments	242,084	-	-	-	-	-	242,084
Due from other funds	151,416	-	8,930	35,281	-	-	195,627
Other	-	-	1,943	-	-	-	1,943
Inventories	-	-	12,511	-	-	-	12,511
Prepaid expenses	194,197	-	-	-	-	-	194,197
Restricted cash	3,174,357	22,076	-	26,545	-	293,074	3,516,052
Total assets	\$ 5,791,670	\$ 48,248	\$ 29,629	\$ 61,826	\$ -	\$ 293,074	\$ 6,224,447
LIABILITIES							
Payables:							
Accounts payable	\$ 191,087	\$ -	\$ 3,949	\$ -	\$ -	\$ -	\$ 195,036
Accrued liabilities	100,238	-	355	-	-	-	100,593
Due to other funds	44,211	48,248	-	-	-	103,168	195,627
Due to other governments	16,461	-	34	-	-	-	16,495
Due to teachers' retirement system	423,122	-	-	-	-	-	423,122
Due to employees' retirement system	49,193	-	-	-	-	-	49,193
Unearned revenues	-	-	1,525	-	-	-	1,525
Total liabilities	824,312	48,248	5,863	-	-	103,168	981,591
FUND BALANCE							
Fund balance:							
Nonspendable	194,197	-	12,511	-	-	-	206,708
Restricted	3,174,357	-	-	61,826	-	189,906	3,426,089
Assigned	1,360,674	-	11,255	-	-	-	1,371,929
Unassigned	238,130	-	-	-	-	-	238,130
Total fund balance	4,967,358	-	23,766	61,826	-	189,906	5,242,856
Total liabilities and fund balance	\$ 5,791,670	\$ 48,248	\$ 29,629	\$ 61,826	\$ -	\$ 293,074	\$ 6,224,447

The accompanying notes to financial statements are an  
integral part of this statement.

**TUXEDO UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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Total Fund Balance - Governmental Funds		\$ 5,242,856
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets less accumulated depreciation are included in the Statement of Net Position:		
Capital assets:		
Non-depreciable	\$ 236,933	
Depreciable	18,333,465	
Accumulated depreciation	<u>(7,582,587)</u>	10,987,811
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:		
Installment purchase debt payable	(168,563)	
Workers' Compensation claims payable	(90,180)	
Compensated absences	<u>(467,762)</u>	(726,505)
Proportionate share of long-term liabilities, deferred outflows of resources and deferred inflows of resources associated with participation in the State retirement systems are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources - pension related	3,464,205	
Proportionate share of net pension liability	(646,692)	
Deferred inflows of resources - pension related	<u>(1,434,506)</u>	1,383,007
Total OPEB liability, deferred outflows of resources and deferred inflows of resources associated with the total OPEB liability are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources - OPEB related	3,850,857	
Total OPEB liability	(36,885,623)	
Deferred inflows of resources - OPEB related	<u>(943,863)</u>	(33,978,629)
Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.		
		<u>(6,669)</u>
Net Position - Governmental Activities		<u><u>\$ (17,098,129)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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

	Major Funds						
	Special Revenue Funds						Total Governmental Funds
	General	Special Aid	School Lunch	Other Miscellaneous Special Revenue	Debt Service	Capital Projects	
REVENUES							
Real property taxes	\$ 11,039,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,039,669
Other tax items	565,543	-	-	-	-	-	565,543
Charges for services	153,690	-	-	-	-	-	153,690
Use of money and property	1,040	-	1	-	-	-	1,041
Sale of property and compensation for loss	55,336	-	-	-	-	-	55,336
State sources	1,119,221	7,217	295	-	-	-	1,126,733
Federal sources	15,932	41,582	18,384	-	-	-	75,898
Sales	-	-	7,681	-	-	-	7,681
Miscellaneous	526,272	-	-	19,082	-	-	545,354
Total revenues	13,476,703	48,799	26,361	19,082	-	-	13,570,945
EXPENDITURES							
Current -							
General support	2,357,055	-	-	-	-	-	2,357,055
Instruction	6,626,331	50,603	-	22,500	-	-	6,699,434
Pupil transportation	981,903	-	-	-	-	-	981,903
Employee benefits	3,236,776	-	3,432	-	-	-	3,240,208
Cost of sales	-	-	76,098	-	-	-	76,098
Debt service -							
Principal	50,654	-	-	-	-	-	50,654
Interest	11,564	-	-	-	-	-	11,564
Total expenditures	13,264,283	50,603	79,530	22,500	-	-	13,416,916
Excess (deficiency) of revenues over (under) expenditures	212,420	(1,804)	(53,169)	(3,418)	-	-	154,029
OTHER FINANCING SOURCES (USES)							
Transfers in	143,677	1,804	125,000	-	-	-	270,481
Transfers out	(126,804)	-	-	-	(143,677)	-	(270,481)
	16,873	1,804	125,000	-	(143,677)	-	-
Change in fund balance	229,293	-	71,831	(3,418)	(143,677)	-	154,029
Fund balance, beginning of year, as restated, see Note 14	4,738,065	-	(48,065)	65,244	143,677	189,906	5,088,827
Fund balance, end of year	\$ 4,967,358	\$ -	\$ 23,766	\$ 61,826	\$ -	\$ 189,906	\$ 5,242,856

The accompanying notes to financial statements are an integral part of this statement.

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

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Net Change in Fund Balance - Governmental Funds	\$	154,029
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital outlay	\$ 47,634	
Depreciation expense	<u>(377,316)</u>	(329,682)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of installment purchase debt payable		50,654
--	--	--------

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

Workers' Compensation claims payable	11,935	
Compensated absences payable	(6,947)	
Accrued interest costs	<u>2,068</u>	7,056

Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Deferred outflows of resources from pensions	357,040	
Proportionate share of the net pension liability	(331,066)	
Deferred inflows of resources from pensions	<u>(602,035)</u>	(576,061)

Changes in the amounts related to the total OPEB liability reported in the Statement of Activities do not provide for or required the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Deferred outflows of resources - OPEB related	877,483	
Total OPEB liability	(4,001,801)	
Deferred inflows of resources - OPEB related	<u>623,862</u>	<u>(2,500,456)</u>

Change in Net Position - Governmental Activities	\$	<u><u>(3,194,460)</u></u>
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**TUXEDO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021**

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Preliminary and Tentative  
For Discussion Purposes Only

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

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

Significant accounting principles and policies used by the District are described below:

**A. Reporting entity**

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

The reporting entity of the District is based upon 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 such criteria the District has determined there are no component units to be included within their reporting entity.

**B. Joint venture**

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

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

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

**TUXEDO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Preliminary and Tentative  
For Discussion Purposes Only

During the year, the District was billed \$773,403 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$285,434.

Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial statements include the financial activities of the overall government in its entirety.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid (sources), intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.



**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Preliminary and Tentative  
For Discussion Purposes Only

Other Miscellaneous Special Revenue Fund: Used to account for the activities of student groups, extraclassroom activity funds and scholarships for students.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of District facilities.

D. Measurement focus and basis of accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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 and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Preliminary and Tentative  
For Discussion Purposes Only

E. Property taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 22. Taxes are collected during the period of September 1 to October 31.

Uncollected real property taxes are subsequently enforced by Orange County. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

F. Restricted resources

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

G. Interfund transactions

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

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent year. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

In the District-wide financial statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities). Eliminations have been made for all interfund receivables and payables between the funds.

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. 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 contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

**TUXEDO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Preliminary and Tentative  
For Discussion Purposes Only

I. Cash and cash equivalents

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

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization (if permitted by the District's policy).

J. Accounts receivable

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

K. Inventories and prepaid items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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Land and construction-in-progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	Straight-line	50 years
Buildings and building improvements	\$ 5,000	Straight-line	50 years
Furniture and equipment	\$ 5,000	Straight-line	5-15 years
Vehicles	\$ 5,000	Straight-line	8 years

**N. Deferred outflows of resources**

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District can have four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (NYSTRS and NYSERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

**O. Deferred inflows of resources**

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District can have four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue - property taxes. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability (NYSTRS and NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

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**P. Unearned revenues**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

**Q. Vested employee benefits - compensated absences**

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

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

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

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

**R. Other benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The 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 (see Note 12 for more information).

**S. 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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 BAN's issued for capital purposes to be converted to long-term financing within seven years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

As of June 30, 2021, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

**T. Accrued liabilities and long-term obligations**

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

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

**U. Equity classifications**

**District-wide financial statements**

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

1. **Net investment in capital assets:** Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. **Restricted net position:** 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.

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3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid expenses recorded in the General Fund of \$194,197 and inventory recorded in the School Lunch Fund of \$12,511.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital

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

Employee Benefit Accrued Liability

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

Unemployment Insurance

According to General Municipal Law §6-m, must be 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 the tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Workers' Compensation

According to General Municipal Law §6-j, must be 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. This reserve is accounted for in the General Fund.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund and includes \$200,044 reserved for NYSERS.

Repairs

According to General Municipal Law §6-d, expenditures made from the repair reserve fund must be 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. This reserve is accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and can be expended without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

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



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4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint 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 also 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.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2021 were distributed as follows:

	General	School Lunch	Other Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
<b>Nonspendable:</b>					
Inventory	\$ -	\$ 12,511	\$ -	\$ -	\$ 12,511
Prepaid expenses	194,197	-	-	-	194,197
<b>Total nonspendable</b>	<b>194,197</b>	<b>12,511</b>	<b>-</b>	<b>-</b>	<b>206,708</b>
<b>Restricted:</b>					
Capital	2,000,055	-	-	-	2,000,055
Employee Benefit Accrued Liability	407,980	-	-	-	407,980
Unemployment Insurance	50,011	-	-	-	50,011
Workers' Compensation	200,044	-	-	-	200,044
Retirement Contributions	200,044	-	-	-	200,044
Repairs	150,033	-	-	-	150,033
Tax Certiorari	166,190	-	-	-	166,190
Extraclassroom Activity Funds	-	-	26,545	-	26,545
Scholarships	-	-	35,281	-	35,281
District Improvements	-	-	-	189,906	189,906
<b>Total restricted</b>	<b>3,174,357</b>	<b>-</b>	<b>61,826</b>	<b>189,906</b>	<b>3,426,089</b>
<b>Assigned:</b>					
Appropriated for subsequent year's expenditures	797,021	-	-	-	797,021
Encumbrances	563,653	-	-	-	563,653
School Lunch Fund	-	11,255	-	-	11,255
<b>Total assigned</b>	<b>1,360,674</b>	<b>11,255</b>	<b>-</b>	<b>-</b>	<b>1,371,929</b>
<b>Unassigned</b>	<b>238,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,130</b>
<b>Total</b>	<b>\$ 4,967,358</b>	<b>\$ 23,766</b>	<b>\$ 61,826</b>	<b>\$ 189,906</b>	<b>\$ 5,242,856</b>

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

Order of use of fund balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as either restricted or assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Sometimes the District will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the District-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the District-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide financial statements, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net position of governmental activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. The categories are shown below:

1. Long-term revenue/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 modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 financial statements and depreciation expense on those items as recorded in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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3. Long-term debt transaction differences

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

4. Pension differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**3. CHANGE IN ACCOUNTING PRINCIPLE**

Effective for the 2021 fiscal year, the District implemented GASB Statement No. 84, *Fiduciary Activities*, which provides clearer guidance on identifying fiduciary activities for accounting and reporting purposes. Upon implementation of the statement, the District moved some of its fiduciary assets and liabilities residing in the fiduciary funds to the General Fund of the District. Also, the District created a new governmental fund titled Other Miscellaneous Special Revenue Fund to account for the District's student groups, scholarships and extraclassroom activity funds which were previously accounted for in the fiduciary funds. Implementation of this statement required a prior period adjustment (see Note 14).

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

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

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

Appropriations are adopted at the program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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The following supplemental appropriations occurred during the year:

Capital improvements	\$ 143,677
Transfer to School Lunch Fund	<u>125,000</u>
Total supplemental appropriations	<u><u>\$ 268,677</u></u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2021.

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

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 restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**5. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS**

The District's aggregate bank balances, including balances not covered by depository insurance at year-end, are collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 5,404,332
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$3,516,052 within the governmental funds.

Investment and deposit policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

Interest rate risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

**6. RECEIVABLES**

Receivables at year end are as follows:

A. State and federal aid

State and federal aid receivables at June 30, 2021 consisted of the following:

General Fund:

Summer school 4408 aid	\$ 167,063
New York State Aid - excess cost aid	40,601
CARES Act aid	12,747

Special Aid Fund:

State and federal grants	26,172
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School Lunch Fund:

School breakfast and lunch reimbursement	6,245
	<u>\$ 252,828</u>

B. Due from other governments

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

General Fund:

BOCES aid	\$ 148,925
Foster tuition	93,159
	<u>\$ 242,084</u>

District management has deemed the amounts to be fully collectible.

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**7. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 236,933	\$ -	\$ -	\$ 236,933
Construction-in-progress	-	-	-	-
Total nondepreciable assets	236,933	-	-	236,933
Capital assets that are depreciated:				
Land improvements	175,151	-	(58,285)	116,866
Buildings and building improvements	17,582,672	-	-	17,582,672
Machinery and equipment	420,046	-	(115,355)	304,691
Vehicles	420,484	50,210	(141,458)	329,236
Total depreciable assets	18,598,353	50,210	(315,098)	18,333,465
Less accumulated depreciation:				
Land improvements	170,252	2,326	(58,285)	114,293
Buildings and building improvements	6,558,550	336,345	-	6,894,895
Machinery and equipment	370,911	3,764	(112,779)	261,896
Vehicles	418,080	34,881	(141,458)	311,503
Total accumulated depreciation	7,517,793	377,316	(312,522)	7,582,587
Total capital assets, net	\$ 11,317,493	\$ (327,106)	\$ (2,576)	\$ 10,987,811

Depreciation expense was charged to governmental functions as follows:

General support	\$ 63,980
Instruction	287,515
Pupil transportation	25,821
	<u>\$ 377,316</u>

**8. LONG-TERM DEBT OBLIGATIONS**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Installment purchase debt payable	\$ 219,217	\$ -	\$ 50,654	\$ 168,563	\$ 53,325
Workers' Compensation claims payable	102,115	7,543	19,478	90,180	9,018
Compensated absences	460,815	6,947	-	467,762	21,600
Total long-term liabilities	\$ 782,147	\$ 14,490	\$ 70,132	\$ 726,505	\$ 83,943

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Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately. The General Fund is typically used to liquidate the liabilities above.

The following is a summary of the maturity of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2021
Installment purchase debt	03/05/09	10/01/23	5.275%	<u>\$ 168,563</u>

	Installment Purchase Debt		
	Principal	Interest	Total
<u>June 30,</u>			
2022	\$ 53,325	\$ 8,892	\$ 62,217
2023	56,138	6,079	62,217
2024	59,100	3,117	62,217
	<u>\$ 168,563</u>	<u>\$ 18,088</u>	<u>\$ 186,651</u>

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

Interest paid	\$ 11,564
Less interest accrued in the prior year	(8,737)
Plus interest accrued in the current year	<u>6,669</u>
Total interest expense	<u>\$ 9,496</u>

**9. PENSION PLANS**

General information

The District participates in the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Employees' Retirement System ("NYSERS"). These are cost-sharing, multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

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Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS 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 NYSTRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

NYSERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL governs obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

Funding policies

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

The District share of the required contributions, based on covered payroll for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2021	\$ 176,273	\$ 349,890
2020	183,688	440,484
2019	184,722	488,744



**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Preliminary and Tentative  
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Pension assets, liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2020 for NYSTRS and March 31, 2021 for NYSERS. 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 NYSTRS and NYSERS Systems in reports provided to the District:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2021	June 30, 2020
Net pension asset/(liability)	\$ (3,769)	\$ (642,923)
District's portion of the Plan's total net pension asset/(liability)	(0.003786%)	(0.023267%)
Change in proportion since the prior measurement date	0.000331%	0.000204%

For the year ended June 30, 2021, the District recognized pension expense of \$130,345 for NYSERS and \$1,005,053 for NYSTRS. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 46,034	\$ 563,329	\$ -	\$ (32,949)
Net difference between projected and actual earnings on pension plan investments	-	419,885	(1,082,786)	-
Changes in assumptions	693,066	813,148	(13,071)	(289,845)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	104,638	395,324	(5,720)	(10,135)
Employer contributions subsequent to the measurement date	49,193	379,588	-	-
Total	<u>\$ 892,931</u>	<u>\$ 2,571,274</u>	<u>\$ (1,101,577)</u>	<u>\$ (332,929)</u>

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

**TUXEDO UNION FREE SCHOOL DISTRICT**  
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<u>Year ended June 30,</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2022	\$ (26,909)	\$ 389,907
2023	5,695	645,035
2024	(39,616)	481,411
2025	(197,009)	287,758
2026	-	25,223
Thereafter	-	29,423

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:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	*Rates of increase differ based on service
Decrement tables	April 1, 2015 to March 31, 2020 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.70%	2.20%

\*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For NYSERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

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

The long-term 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 returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2021	March 31, 2021	June 30, 2020	June 30, 2020
Asset type				
Cash and cash equivalents	1.00%	0.50%	1.00%	0.70%
Credit	4.00%	3.63%	-	-
Domestic equity	32.00%	4.05%	33.00%	7.10%
Domestic fixed income	-	-	16.00%	1.80%
Fixed income	23.00%	0.00%	-	-
Global equity	-	-	4.00%	7.40%
Global fixed income	-	-	2.00%	1.00%
High-yield fixed income	-	-	1.00%	3.90%
International equity	15.00%	6.30%	16.00%	7.70%
Opportunistic portfolio	3.00%	4.50%	-	-
Private debt	-	-	1.00%	5.20%
Private equity	10.00%	6.75%	8.00%	10.40%
Real assets	3.00%	5.95%	-	-
Real estate debt	-	-	7.00%	3.60%
Real estate equities	9.00%	4.95%	11.00%	6.80%
	<u>100.00%</u>		<u>100.00%</u>	

**Discount rate**

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

**TUXEDO UNION FREE SCHOOL DISTRICT**  
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<u>NYSERS</u>	<u>1% Decrease (4.90%)</u>	<u>Current assumption (5.90%)</u>	<u>1% Increase (6.90%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (1,046,232)	\$ (3,769)	\$ 957,625
<u>NYSTRS</u>	<u>1% Decrease (6.10%)</u>	<u>Current assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (4,061,122)	\$ (642,923)	\$ 2,225,813

Pension plan fiduciary net position

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

	(Dollars in Thousands)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Valuation date	April 1, 2020	June 30, 2019	
Employers' total pension liability	\$ 220,680,157	\$ 123,242,776	\$ 343,922,933
Plan net position	<u>220,580,583</u>	<u>120,479,505</u>	<u>341,060,088</u>
Employers' net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>	<u>\$ (2,862,845)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	99.95%	97.76%	99.17%

Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the system in September, October and November 2020 through a State aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2021 amounted to \$379,588.

For NYSERS, 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, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2021 amounted to \$49,193. Employee contributions are remitted monthly.

**TUXEDO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Preliminary and Tentative  
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**10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

<u>Fund</u>	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 151,416	\$ 44,211	\$ 143,677	\$ 126,804
Special Aid	-	48,248	1,804	-
School Lunch	8,930	-	125,000	-
Special Revenue	35,281	-	-	-
Debt Service	-	-	-	143,677
Capital Projects	-	103,168	-	-
Totals	<u>\$ 195,627</u>	<u>\$ 195,627</u>	<u>\$ 270,481</u>	<u>\$ 270,481</u>

Interfund receivables and payables, are eliminated on the Statement of Net Position.

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

**11. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")**

**A. General information about the OPEB plan**

Plan description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of 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

As of July 1, 2020, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	102
Active plan members	<u>61</u>
Total plan members	<u>163</u>

**B. Total OPEB liability**

The District's total OPEB liability of \$36,885,623 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.51%
Salary increases	3.80%
Discount rate	2.21%
Healthcare cost trend rates	7.35% decreasing to an ultimate rate of 4.50% in 2029
Retirees' share of benefit-related costs	0% to 100% of premium based on retirement date and years of service

The discount rate was based on the June 30, 2020 Fidelity General Obligation 20-Year AA Municipal Bond Index.

Mortality rates were based on the Pub-2010 Headcount-Weighted Mortality Table projected generationally with MP-2018 from the central year.

C. Changes in the total OPEB liability

Balance as of June 30, 2020	<u>\$ 32,883,822</u>
<u>Changes for the year -</u>	
Service cost	1,001,270
Interest	1,171,566
Differences between expected and actual experience	(74,602)
Change in assumptions or other inputs	2,926,675
Benefit payments	<u>(1,023,108)</u>
Net changes	<u>4,001,801</u>
Balance as of June 30, 2021	<u><u>\$ 36,885,623</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease (1.21%)	Current assumption (2.21%)	1% Increase (3.21%)
Total OPEB liability as of June 30, 2021	\$ 43,451,923	\$ 36,885,623	\$ 31,653,572

**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Preliminary and Tentative  
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Sensitivity of the total OPEB liability to changes in 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 one percentage point lower or one percentage point higher than the current discount rate as defined in the actuarial assumptions and other inputs above:

	1% Decrease (6.35% decreasing to 3.50%)	Current assumption (7.35% decreasing to 4.50%)	1% Increase (8.35% decreasing to 5.50%)
Total OPEB liability as of June 30, 2021	\$ 31,075,456	\$ 36,885,623	\$ 44,325,767

D. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,500,456. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Difference between expected experience and actual experience	\$ 174,629	\$ (60,735)
Changes of assumptions	<u>3,676,228</u>	<u>(883,128)</u>
Total	<u>\$ 3,850,857</u>	<u>\$ (943,863)</u>

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

<u>Year ended June 30,</u>	<u>Amount</u>
2022	\$ 327,620
2023	813,686
2024	907,154
2025	657,086
2026	201,448

**12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years. The District participates in New York Schools Insurance Reciprocal ("NYSIR"), a non-risk-retained public entity risk pool for its District 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.

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. General Fund liabilities only include amounts for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR").

The District has not purchased any annuity contracts.

**13. CONTINGENCIES AND COMMITMENTS**

Encumbrances

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

Assigned: Unappropriated Fund Balance	
General Fund	
General support	\$ 125,859
Instruction	19,408
Pupil transportation	<u>418,386</u>
	<u><u>\$ 563,653</u></u>

Government grants

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

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2021, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2020 at 1.81% (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.



**TUXEDO UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Preliminary and Tentative  
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Litigation

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

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on funding sources, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.

**14. PRIOR PERIOD ADJUSTMENT**

The District's financial statements for the year ended June 30, 2020 have been restated as of July 1, 2020 to give effect to the following:

	<u>Fund Balance</u>	<u>Net Position</u>
Balance as of July 1, 2020, as previously stated	\$ 5,023,583	\$ (13,866,798)
Less: recognition of unrecorded liability		(102,115)
GASB Statement No. 84 implementation:		
Add: Other Miscellaneous Special Revenue Fund fund balance (calculated under GASB 84)	<u>65,244</u>	<u>65,244</u>
Balance as of July 1, 2020, as restated	<u>\$ 5,088,827</u>	<u>\$ (13,903,669)</u>

**15. LEASE COMMITMENTS**

The District leases certain vehicles and office equipment under the terms of various non-cancelable leases. Rental expense for the year ended June 30, 2021 was \$460,101.

Minimum annual rentals for each of the remaining years of the lease are:

<u>For the year ended June 30:</u>	
2022	\$ 22,284
2023	22,284
2024	22,284
2025	22,284
2026	<u>20,427</u>
	<u>\$ 109,563</u>

**16. TAX ABATEMENTS**

The County of Orange enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The District's property tax revenues were reduced by \$343,550 under agreements entered into by the County. This amount was collected via PILOT payments.

**TUXEDO UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Preliminary and Tentative  
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**17. FUTURE ACCOUNTING STANDARDS**

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 87	Leases	June 30, 2022
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2022
Statement No. 91	Conduit Debt Obligations	June 30, 2023

**18. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of November 17, 2021, which is the date the financial statements were available to be issued, noting no matters requiring financial statement disclosure.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance Better (Worse)
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 11,012,375	\$ 11,012,375	\$ 11,039,669		\$ 27,294
Other tax items	586,838	586,838	565,543		(21,295)
Charges for services	139,450	139,450	153,690		14,240
Use of money and property	5,850	5,850	1,040		(4,810)
Sale of property and compensation for loss	-	-	55,336		55,336
Miscellaneous	87,150	87,150	526,272		439,122
Total local sources	11,831,663	11,831,663	12,341,550		509,887
State sources	1,040,600	1,040,600	1,119,221		78,621
Federal sources	15,852	15,852	15,932		80
Total revenues	12,888,115	12,888,115	13,476,703		588,588
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	143,677	143,677		-
Total revenues and other financing sources	12,888,115	13,031,792	13,620,380		588,588
<b>EXPENDITURES</b>					
General support:					
Board of Education	32,125	63,288	63,693	\$ -	(405)
Central administration	250,150	275,348	276,178	-	(830)
Finance	342,000	225,084	220,372	330	4,382
Staff	114,100	120,587	117,940	2,092	555
Central services	1,180,899	1,365,029	1,335,314	123,437	(93,722)
Special items	368,356	357,748	343,558	-	14,190
Total general support	2,287,630	2,407,084	2,357,055	125,859	(75,830)
Instruction:					
Instruction, administration and improvement	286,889	277,823	272,493	-	5,330
Teaching - regular school	3,140,385	2,995,558	2,987,831	-	7,727
Programs for children with handicapping conditions	2,373,111	2,358,070	2,239,591	-	118,479
Instructional media	398,958	648,048	585,026	18,108	44,914
Pupil services	568,099	591,282	541,390	1,300	48,592
Total instruction	6,767,442	6,870,781	6,626,331	19,408	225,042
Pupil transportation	904,185	1,059,569	981,903	418,386	(340,720)
Employee benefits	3,847,230	3,612,730	3,236,776	-	375,954
Debt service:					
Principal	50,654	50,654	50,654	-	-
Interest	11,564	11,564	11,564	-	-
Total expenditures	13,868,705	14,012,382	13,264,283	563,653	184,446
<b>OTHER FINANCING USES</b>					
Transfers out	25,000	150,000	126,804	-	23,196
Total expenditures and other financing uses	13,893,705	14,162,382	13,391,087	\$ 563,653	207,642
Net change in fund balance	\$ (1,005,590)	\$ (1,130,590)	229,293		\$ 796,230
Fund balance, beginning of year			4,738,065		
Fund balance, end of year			\$ 4,967,358		

**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.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST FOUR FISCAL YEARS**

Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service cost	\$ 1,001,270	\$ 871,811	\$ 732,697	\$ 879,003
Interest	1,171,566	1,176,513	1,035,050	904,845
Changes in benefit terms	-	-	(311,549)	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(74,602)	35,269	352,215	-
Changes in assumptions or other inputs	2,926,675	1,762,257	430,596	(3,621,516)
Benefit payments	<u>(1,023,108)</u>	<u>(972,901)</u>	<u>(807,791)</u>	<u>(898,949)</u>
Net change in total OPEB liability	4,001,801	2,872,949	1,431,218	(2,736,617)
Total OPEB liability - beginning of year	<u>32,883,822</u>	<u>30,010,873</u>	<u>28,579,655</u>	<u>31,316,272</u>
Total OPEB liability - end of year	<u><u>\$ 36,885,623</u></u>	<u><u>\$ 32,883,822</u></u>	<u><u>\$ 30,010,873</u></u>	<u><u>\$ 28,579,655</u></u>
Covered payroll	\$ 3,839,636	\$ 5,087,456	\$ 5,087,456	\$ 4,912,074
Total OPEB liability as a percentage of covered payroll	960.65%	646.37%	589.90%	581.82%

**Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow school districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION ASSET/LIABILITY - NYSERS & NYSTRS  
LAST FIVE FISCAL YEARS\*  
(Dollar amounts in thousands)**

	(B) 2021	(A) (E) 2020	2019	(D) 2018	(C) 2017
<b><u>NYSERS</u></b>					
District's proportionate share of the net pension liability	0.00379%	0.00346%	0.00359%	0.00356%	0.00361%
District's proportionate share of the net pension liability	\$ (4)	\$ (915)	\$ (255)	\$ (115)	\$ (339)
District's covered payroll	\$ 1,368	\$ 1,263	\$ 1,300	\$ 1,277	\$ 1,337
District's proportionate share of the net pension liability as a percentage of covered payroll	0.28%	72.45%	19.59%	8.99%	25.38%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

<b><u>NYSTRS</u></b>					
District's proportionate share of the net pension asset/(liability)	0.02327%	0.02306%	0.02450%	0.02554%	0.02612%
District's proportionate share of the net pension asset/(liability)	\$ (643)	\$ 599	\$ 443	\$ 194	\$ (280)
District's covered payroll	\$ 3,949	\$ 3,949	\$ 3,850	\$ 4,065	\$ 4,054
District's proportionate share of the net pension asset as a percentage of covered payroll	16.28%	15.17%	11.51%	4.78%	6.90%
Plan fiduciary net position as a percentage of the total pension asset	97.76%	102.17%	101.53%	100.66%	99.01%

\* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

**(A)** The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date

**(B)** The discount rate used to calculate the total pension liability was decreased from 6.8% to 5.9% effective with the March 31, 2021 measurement date.

**(C)** The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date

**(D)** The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date

**(E)** The discount rate used to calculate the total pension liability was decreased from 7.25% to 7.10% effective with the June 30, 2019 measurement date

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS & NYSTRS  
LAST FIVE FISCAL YEARS  
(Dollar amounts in thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><u>NYSERS</u></b>					
Contractually required contribution	\$ 176	\$ 184	\$ 185	\$ 186	\$ 205
Contributions in relation to the contractually required contribution	<u>176</u>	<u>184</u>	<u>185</u>	<u>186</u>	<u>205</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,371	\$ 1,263	\$ 1,300	\$ 1,277	\$ 1,337
Contributions as a percentage of covered payroll	12.86%	14.56%	14.20%	14.56%	15.35%
<b><u>NYSTRS</u></b>					
Contractually required contribution	\$ 350	\$ 350	\$ 409	\$ 398	\$ 489
Contributions in relation to the contractually required contribution	<u>350</u>	<u>350</u>	<u>409</u>	<u>398</u>	<u>489</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,671	\$ 3,949	\$ 3,850	\$ 4,065	\$ 4,170
Contributions as a percentage of covered payroll	9.53%	8.86%	10.62%	9.80%	11.72%

**\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

**Change from adopted budget to final budget:**

Original budget	\$ 13,699,533	
Add: prior year encumbrances	<u>194,172</u>	
Adopted budget		\$ 13,893,705
Add: Capital improvements		143,677
Add: Transfer to School Lunch Fund		<u>125,000</u>
Final budget		<u>\$ 14,162,382</u>

**§1318 of real property tax law limit calculation:**

2021-2022 voter-approved budget		<u>\$ 13,699,533</u>
Maximum allowed (4% of 2021-2022 budget)		<u>\$ 547,981</u>
General Fund fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,360,674	
Unassigned fund balance	<u>238,130</u>	\$ 1,598,804
Less:		
Appropriated fund balance	797,021	
Encumbrances	<u>563,653</u>	<u>1,360,674</u>
General Fund fund balance subject to §1318 of real property tax law		<u>\$ 238,130</u>
Actual percentage		<u>1.7%</u>

TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Project Title	Expenditures						Methods of Financing				Fund Balance June 30, 2021
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
Energy Performance Contract	\$ 857,000	\$ 857,000	\$ 847,755	\$ -	\$ 847,755	\$ 9,245	\$ 647,740	\$ -	\$ -	\$ 685,480	\$ (162,275)
High School Steps	107,000	107,000	78,879	-	78,879	28,121	-	-	107,000	107,000	28,121
Districtwide	400,000	400,000	75,940	-	75,940	324,060	-	-	400,000	400,000	324,060
	<u>\$ 1,364,000</u>	<u>\$ 1,364,000</u>	<u>\$ 1,002,574</u>	<u>\$ -</u>	<u>\$ 1,002,574</u>	<u>\$ 361,426</u>	<u>\$ 647,740</u>	<u>\$ -</u>	<u>\$ 507,000</u>	<u>\$ 1,192,480</u>	<u>\$ 189,906</u>



**OTHER  
SUPPLEMENTARY  
INFORMATION**

**TUXEDO UNION FREE SCHOOL DISTRICT  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2021**

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Capital assets, net		\$ 10,987,811
Deduct:		
Short-term portion of installment purchase debt payable	53,325	
Long-term portion of installment purchase debt payable	<u>115,238</u>	<u>168,563</u>
Net investment in capital assets		<u>\$ 10,819,248</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 of the  
Tuxedo Union Free School District  
Tuxedo, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Tuxedo Union Free School District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2021.

***Internal Control Over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. Reference is made to the Schedule of Findings and Recommendations accompanying this report for additional observations on internal control.

# NawrockiSmith

## ***Compliance And Other Matters***

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

## ***Purpose of this Report***

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

Hauppauge, New York  
November 17, 2021

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

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Preliminary and Tentative  
For Discussion Purposes Only

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS:**

**1. Year-end closing procedures**

During our audit, it was noted there are no formal procedures in place to close the books and records at year-end. This situation creates the risk that balances may be misstated at year-end.

We recommend that the District establish formal policies and procedures to be put in place to establish a year-end closing process. In this manner, internal control over financial reporting may be enhanced.

**2. Grant reconciliations**

During our work performed related to State and federal aid, it was noted there are no procedures to track and monitor grants and related receivables. This situation creates the risk of improper financial reporting.

We recommend that the District establish formal policies and procedures by which all State and federal grants are reconciled and tracked on an ongoing basis. In this manner, internal control over financial reporting may be enhanced.

**3. Bank reconciliation approval**

During our work performed related to cash, it was noted there is no review and approval of bank reconciliations by someone other than the preparer. This situation creates the risk that cash may be misstated at a given time.

We recommend that the District establish formal policies and procedures by which an individual independent of the preparer reviews and notes their approval on all bank reconciliations each month. In this manner, internal controls over financial reporting may be enhanced.

**4. Bank reconciliation timeliness**

During our work performed related to cash, it was noted bank reconciliations are not always completed within the subsequent month. This situation creates the risk that cash may be misstated at a given time.

We recommend that the District establish formal policies and procedures by all bank reconciliations are done and completed within the subsequent month. In this manner, internal controls over financial reporting may be enhanced.

**5. Account reconciliations**

During our audit, we noted instances where balance sheet accounts were not actively tracked or reconciled. This situation creates the risk that account balances may be misstated at a given time.

We recommend that the District establish policies and procedures by which all account balances are actively tracked and reconciled. In this manner, internal controls over financial reporting may be enhanced.

**TUXEDO UNION FREE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

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Preliminary and Tentative  
For Discussion Purposes Only

**6. Reserve tracking**

During our work performed related to fund balance, it was noted there is no formal review of the General Fund reserves occurring on an annual basis in relation to applicable funding limits and guidelines. This situation creates the risk that reserve balances may not be out of compliance with State guidelines and mandates.

We recommend that the District establish formal policies and procedures by which all General Fund reserves are reviewed against applicable funding limitations on an annual basis. In this manner, internal controls over financial reporting may be enhanced.

**7. School Lunch Fund fund balance**

During our work performed in the School Lunch Fund, it was noted that the fund balance is not actively monitored in relation to applicable guidance and limitations. This situation creates the risk that the fund may have excess fund balance and jeopardize its nonprofit status.

We recommend that the District establish policies and procedures where the School Lunch Fund's fund balance is reconciled and compared with applicable limitations on a regular basis. In this manner, internal control over financial reporting and compliance may be enhanced.

**8. Capital assets**

During our work performed related to capital assets, it was noted that the opening balances were not reconciled to the prior year audit report. This situation creates the risk of improper financial reporting.

We recommend that the District establish policies and procedures by which all capital asset reports are tracked and reconciled on a regular basis. In this manner, internal control over financial reporting may be enhanced.

**9. Scholarships**

During our audit, it was noted that scholarships are not actively tracked. This situation creates the risk that funds may not be used for their intended purpose.

We recommend that the District establish formal policies and procedures by which all scholarship accounts and balances are actively tracked and monitored. In this manner, internal controls over scholarships may be enhanced.

**10. Journal entries**

During our audit we noted that journal entries are not reviewed and approved by someone other than the preparer. This situation creates the risk of improper financial reporting.

We recommend that the District establish formal policies and procedures by which supporting documentation for all journal entries is maintained and approved by someone independent of the preparer on a regular basis. In this manner, internal control over financial reporting may be enhanced.