



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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tuxedo Union Free School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

NawrockiSmith

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 3 to the financial statements, in fiscal 2022 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The effect of this GASB Statement No. 87 did not require a restatement to the financial statements and was handled prospectively. Our opinion is not modified with respect to this matter.

NawrockiSmith

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 4-14 and 49-52, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying other supplementary information, as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 16, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hauppauge, New York
November 16, 2022



**TUXEDO UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 4.8% as a result of increased operating grants and sale of property and compensation for loss, offset by a decrease in miscellaneous revenues. Expenses decreased by 9.8% as a result of reductions in amounts recorded for other postemployment benefits and pension liabilities.
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances.
- As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$4,893,115, a decrease of \$349,741 from the prior year.
- During the fiscal year, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which provides clearer guidance on the treatment of leases for accounting and reporting purposes.

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)**

Table A-1: Major Features of the District-Wide and Fund Financial Statements		
	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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance
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.

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

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 5.2% from the year before to a net deficit position balance of \$17,991,886, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$3,457,612 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2022, the District has an unrestricted net deficit of \$32,164,717. This deficit is driven by the District's required recognition of the total other postemployment benefit ("OPEB") liability of \$38,504,158 as required by GASB Statement No. 75. These rules drastically changed how state and local governments treat OPEB, moving from a cash to an accrual basis. As a result of these national standards, it is common for state and local governments (including school districts) to reflect a significant deficit on the Statement of Net Position. See page 18 of these financial statements to see how the GASB Statement No. 75 treatment converted the \$4,893,115 of fund balance related to the governmental funds to a \$17,991,886 net deficit position on the Statement of Net Position.

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

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

	<u>6/30/22</u>	<u>6/30/21</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 10,817,040	\$ 6,028,820	\$ 4,788,220	79.4
Capital assets, net	<u>10,715,219</u>	<u>10,987,811</u>	<u>(272,592)</u>	(2.5)
Total assets	<u>21,532,259</u>	<u>17,016,631</u>	<u>4,515,628</u>	26.5
Deferred outflows of resources	<u>6,960,060</u>	<u>7,315,062</u>	<u>(355,002)</u>	(4.9)
Current liabilities	1,398,617	876,576	522,041	59.6
Long-term liabilities	<u>38,922,285</u>	<u>38,174,877</u>	<u>747,408</u>	2.0
Total liabilities	<u>40,320,902</u>	<u>39,051,453</u>	<u>1,269,449</u>	3.3
Deferred inflows of resources	<u>6,163,303</u>	<u>2,378,369</u>	<u>3,784,934</u>	159.1
Net position:				
Net investment in capital assets	10,715,219	10,819,248	(104,029)	(1.0)
Restricted	3,457,612	3,426,089	31,523	0.9
Unrestricted (deficit)	<u>(32,164,717)</u>	<u>(31,343,466)</u>	<u>(821,251)</u>	(2.6)
Total net position (deficit)	<u>\$ (17,991,886)</u>	<u>\$ (17,098,129)</u>	<u>\$ (893,757)</u>	(5.2)

As of June 30, 2022, the District had positive working capital of \$1,312,435 as compared to \$1,636,192 as of June 30, 2021. The decrease is primarily due to a decrease in unrestricted cash of \$1,927,917 and an increase in accounts payable of \$180,627.

As of June 30, 2022, the District had an investment in net capital assets of \$10,715,219 as compared to \$10,819,248 as of June 30, 2021. The decrease from 2021 is due to current year depreciation charges exceeding capital outlay.

Long-term liabilities increased \$747,408 primarily due to the changes in the total OPEB liability.

Changes in Net Position

The District's fiscal year 2022 revenues totaled \$14,226,417 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 78 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 4.8% or \$655,472, primarily as a result of increases in operating grants of \$619,489 and in sale of property and compensation for loss of \$525,829, offset by a decrease in miscellaneous revenues of \$361,468.

The District's fiscal year 2022 expenses totaled \$15,120,174 (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)**

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

	<u>6/30/22</u>	<u>6/30/21</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 107,659	\$ 161,371	\$ (53,712)	(33.3)
Operating grants	702,899	83,410	619,489	742.7
General revenues:				
Real property taxes	11,044,428	11,039,669	4,759	0.0
Other tax items	538,224	565,543	(27,319)	(4.8)
Use of money and property	2,032	1,041	991	95.2
Sale of property and compensation for loss	581,165	55,336	525,829	950.2
State sources	1,066,124	1,119,221	(53,097)	(4.7)
Miscellaneous	183,886	545,354	(361,468)	(66.3)
Total revenues	<u>14,226,417</u>	<u>13,570,945</u>	<u>655,472</u>	4.8
Expenses				
General support	3,036,327	3,482,632	(446,305)	(12.8)
Instruction	10,451,431	11,757,585	(1,306,154)	(11.1)
Pupil transportation	1,478,678	1,436,162	42,516	3.0
Debt service - interest	7,780	9,496	(1,716)	(18.1)
School lunch program	145,958	79,530	66,428	83.5
Total expenses	<u>15,120,174</u>	<u>16,765,405</u>	<u>(1,645,231)</u>	(9.8)
Change in net position	(893,757)	(3,194,460)	2,300,703	72.0
Net position (deficit), beginning of year	<u>(17,098,129)</u>	<u>(13,903,669)</u>	<u>(3,194,460)</u>	(23.0)
Net position (deficit), end of year	<u>\$ (17,991,886)</u>	<u>\$ (17,098,129)</u>	<u>\$ (893,757)</u>	(5.2)

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

Table A-4: Sources of Revenues for Fiscal Year 2022

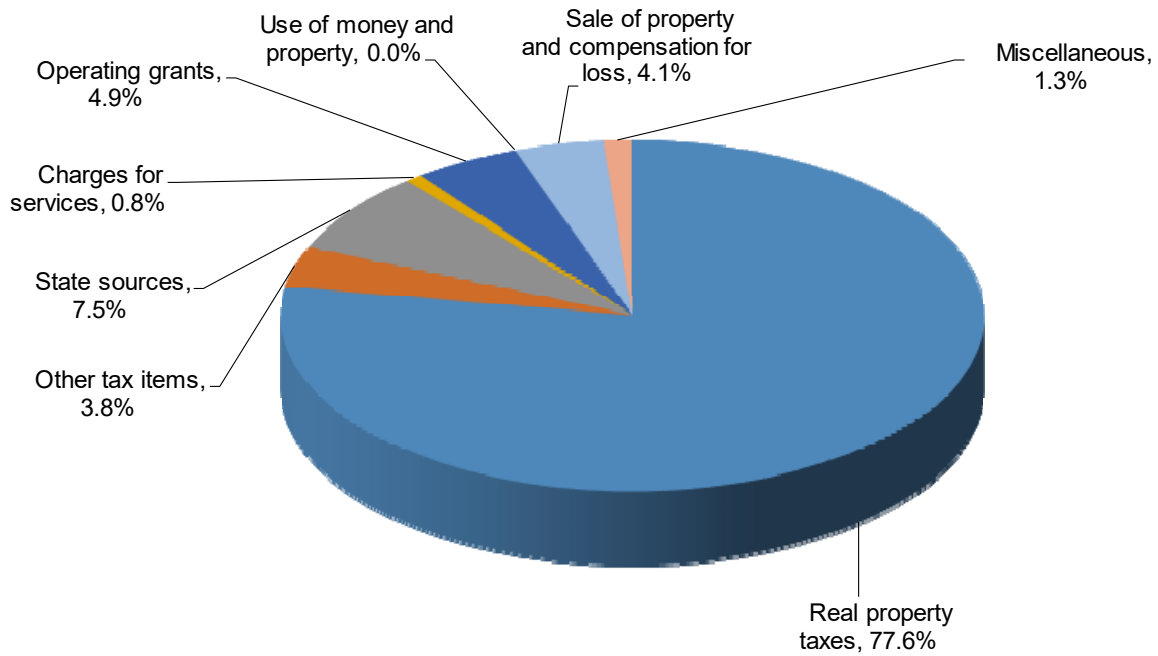
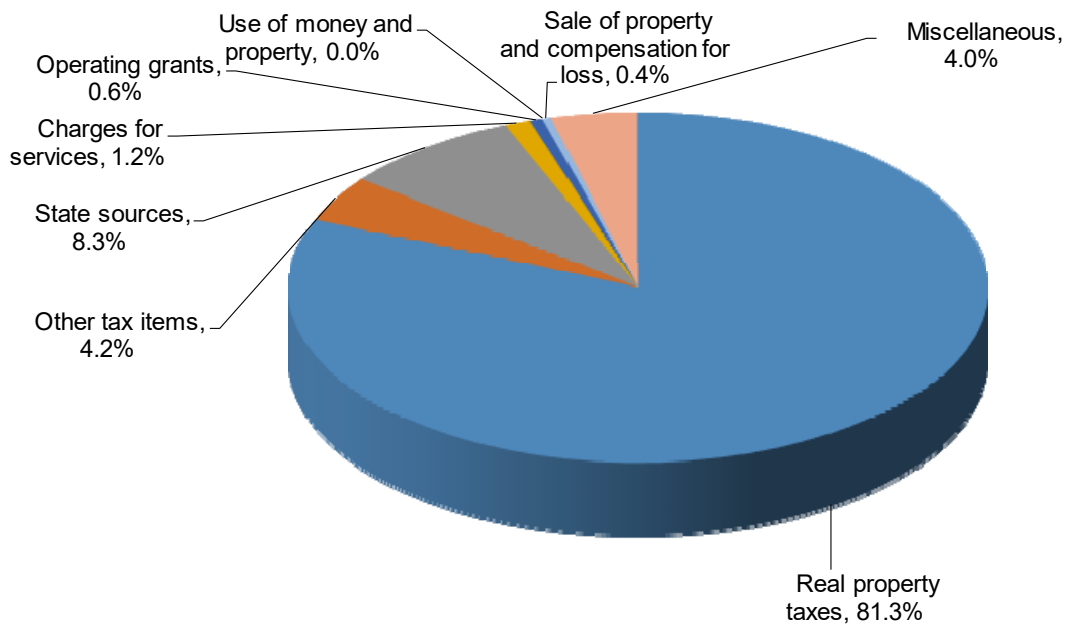


Table A-5: Sources of Revenues for Fiscal Year 2021



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

Table A-6: Expenses for Fiscal Year 2022

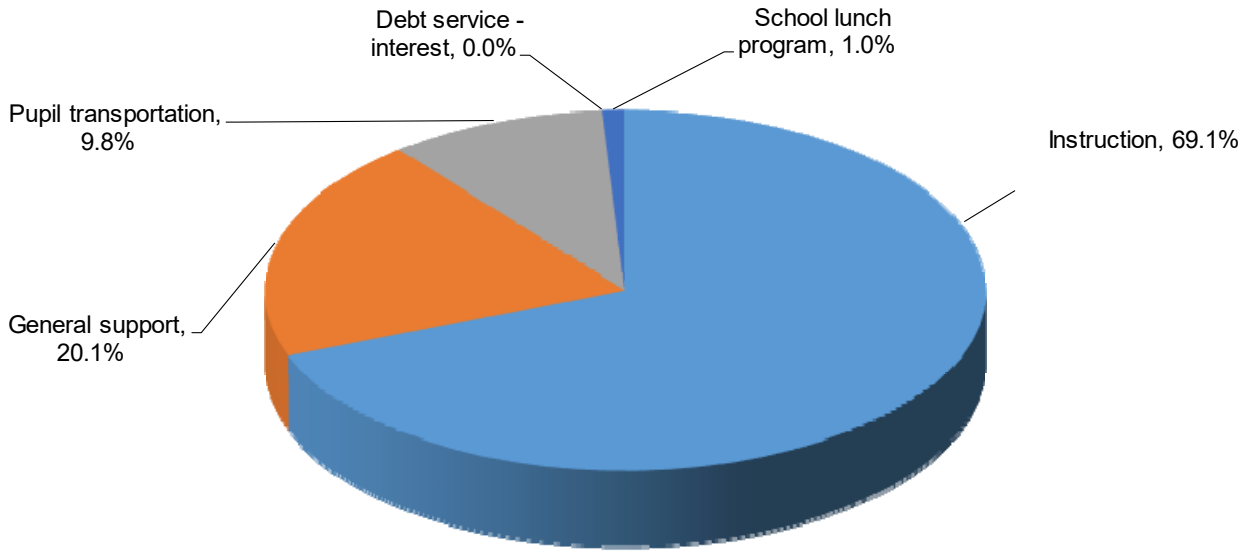
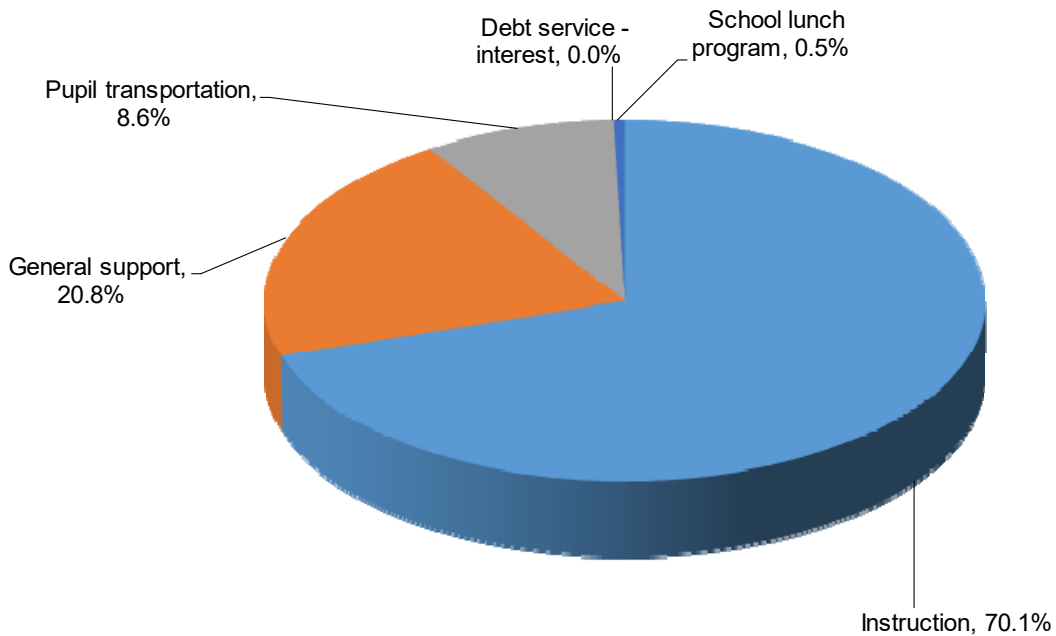


Table A-7: Expenses for Fiscal Year 2021



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

Governmental Activities

Revenues for the District's governmental activities totaled \$14,226,417 while total expenses were \$15,120,174. Therefore, the decrease in net position for governmental activities was \$893,757 in 2022. The District's financial condition was affected by:

- 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:

- Operating grants increased by \$619,489, or 742.7% during the year ended June 30, 2022, primarily due to increased grants within the Special Aid Fund and School Lunch Fund.
- Sale of property and compensation for loss increased by \$525,829, or 950.2% during the year ended June 30, 2022, primarily due to the sale of buses.

Expenses:

- General support expenses decreased \$446,305 and instruction expenses decreased \$1,306,154 primarily due to the changes in the District's proportionate share of the net pension system and changes in the total OPEB liability.

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, 2022, the District's governmental funds reported a combined fund balance of \$4,893,115, which is a decrease of \$349,741 from June 30, 2021. 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)**

Table A-8: Fund Balances - Governmental Funds

	<u>6/30/22</u>	<u>6/30/21</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Nonspendable:				
Prepaid expenses	\$ -	\$ 194,197	\$ (194,197)	(100.0)
Restricted:				
Capital	2,000,945	2,000,055	890	0.0
Employee Benefit Accrued Liability	408,162	407,980	182	0.0
Unemployment Insurance	50,033	50,011	22	0.0
Workers' Compensation	200,133	200,044	89	0.0
Retirement Contributions	200,133	200,044	89	0.0
Repairs	150,100	150,033	67	0.0
Tax Certiorari	166,264	166,190	74	0.0
Assigned:				
Appropriated for subsequent year's expenditures	500,000	797,021	(297,021)	(37.3)
Encumbrances	161,894	563,653	(401,759)	(71.3)
Unassigned	712,866	238,130	474,736	199.4
Total General Fund	<u>4,550,530</u>	<u>4,967,358</u>	<u>(416,828)</u>	<u>(8.4)</u>
School Lunch Fund				
Nonspendable:				
Inventory	8,422	8,685	(263)	(3.0)
Assigned:				
School Lunch Fund	<u>52,321</u>	<u>15,081</u>	<u>37,240</u>	<u>246.9</u>
Total School Lunch Fund	<u>60,743</u>	<u>23,766</u>	<u>36,977</u>	<u>155.6</u>
Other Miscellaneous Special Revenue Fund				
Restricted:				
Extraclassroom Activity Funds	23,948	26,545	(2,597)	(9.8)
Scholarships	<u>34,816</u>	<u>35,281</u>	<u>(465)</u>	<u>(1.3)</u>
Total Other Miscellaneous Special Revenue Fund	<u>58,764</u>	<u>61,826</u>	<u>(3,062)</u>	<u>(5.0)</u>
Capital Projects Fund				
Restricted:				
District improvements	<u>223,078</u>	<u>189,906</u>	<u>33,172</u>	<u>17.5</u>
Total Capital Projects Fund	<u>223,078</u>	<u>189,906</u>	<u>33,172</u>	<u>17.5</u>
Total fund balance	<u>\$ 4,893,115</u>	<u>\$ 5,242,856</u>	<u>\$ (349,741)</u>	<u>(6.7)</u>

General Fund

The General Fund reported a decrease in fund balance of \$416,828 for fiscal 2022, as compared to an increase of \$229,293 for fiscal 2021. Revenues decreased \$33,291 as a result of the increase in sale of property and compensation for loss, offset by the decrease in miscellaneous revenues. Expenditures increased \$691,843 due to increases in most categories. As a result of the expenditures exceeding revenues, the District reported a decrease in fund balance. The District also performed unfavorably compared to the budgeted expectations, as shown on page 49.

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 \$123,000.

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

- Actual expenditures were approximately \$130,000 (including encumbrances of approximately \$162,000) less than final budget (not including interfund transfers).

At June 30, 2022, the District's unassigned fund balance was \$712,866 which exceeded the allowable 4% of the subsequent year's budget (\$13,962,045) 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, 2022:

Unassigned fund balance, beginning of year	\$ 238,130
Add:	
Net change in fund balance	(416,828)
Prior-year nonspendable fund balance	194,197
Prior-year appropriated fund balance	797,021
Prior-year encumbrances	563,653
Less:	
Current-year appropriated fund balance	(500,000)
Current-year encumbrances	(161,894)
Interest on Capital Reserve	(890)
Interest on Employee Benefit Accrued Liability Reserve	(182)
Interest on Unemployment Insurance Reserve	(22)
Interest on Workers' Compensation Reserve	(89)
Interest on Retirement Contributions Reserve	(89)
Interest on Repairs Reserve	(67)
Interest on Tax Certiorari Reserve	(74)
	<hr/>
Unassigned fund balance, end of year	<u><u>\$ 712,866</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested \$10,715,219 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>6/30/22</u>	<u>6/30/21</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 236,933	\$ 236,933	\$ -	0.0
Land improvements	1,321	2,573	(1,252)	(48.7)
Buildings and building improvements	10,350,609	10,687,777	(337,168)	(3.2)
Machinery and equipment	88,699	42,795	45,904	107.3
Vehicles	37,657	17,733	19,924	112.4
	<hr/>	<hr/>	<hr/>	
Totals	<u><u>\$ 10,715,219</u></u>	<u><u>\$ 10,987,811</u></u>	<u><u>\$ (272,592)</u></u>	(2.5)

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

Long-Term Debt

At year-end, the District had \$466,492 in long-term debt.

Table A-10: Outstanding Long-Term Debt

	<u>6/30/22</u>	<u>6/30/21</u>	<u>\$ Change</u>	<u>% Change</u>
Installment purchase debt payable	\$ -	\$ 168,563	\$ (168,563)	(100.0)
Lease liabilities	105,796	-	105,796	100.0
Workers' Compensation				
claims payable	87,807	90,180	(2,373)	(2.6)
Compensated absences	272,889	467,762	(194,873)	(41.7)
Totals	<u>\$ 466,492</u>	<u>\$ 726,505</u>	<u>\$ (260,013)</u>	(35.8)

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:

- 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 2022-2023 school year was approved by the voters in the amount of \$13,962,045, which represents a 1.92% increase over the Original Budget for the 2021-22 school year.
- The General Fund budget for the 2022-2023 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, 2022

ASSETS	
Unrestricted cash	\$ 1,863,855
Receivables:	
State and federal aid	594,405
Due from other governments	158,467
Other	85,903
Inventories	8,422
Restricted cash	3,532,315
Right-to-use assets, net	105,796
Proportionate share of net pension asset	4,467,877
Capital assets:	
Non-depreciable	236,933
Depreciable, net of accumulated depreciation of \$7,690,102	<u>10,478,286</u>
Total assets	<u>21,532,259</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	3,439,494
Deferred outflows from OPEB	<u>3,520,566</u>
Total deferred outflows of resources	<u>6,960,060</u>
LIABILITIES	
Accounts payable	727,580
Accrued liabilities	99,991
Due to other governments	16,165
Due to teachers' retirement system	450,888
Due to employees' retirement system	50,776
Unearned revenues	4,852
Long-term liabilities, due within one year:	
Lease liabilities	21,584
Workers' Compensation claims payable	8,781
Compensated absences	18,000
Long-term liabilities, due after one year:	
Lease liabilities	84,212
Workers' Compensation claims payable	79,026
Compensated absences	254,889
Other postemployment benefits obligation	<u>38,504,158</u>
Total liabilities	<u>40,320,902</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	5,917,904
Deferred inflows from OPEB	<u>245,399</u>
Total deferred inflows of resources	<u>6,163,303</u>
NET POSITION	
Net investment in capital assets	10,715,219
Restricted:	
Capital	2,000,945
Employee Benefit Accrued Liability	408,162
Unemployment Insurance	50,033
Workers' Compensation	200,133
Retirement Contributions	200,133
Repairs	150,100
Tax Certiorari	166,264
Scholarships and student activities	58,764
District Improvements	223,078
Unrestricted	<u>(32,164,717)</u>
Total net position	<u>\$ (17,991,886)</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, 2022

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in
				Net Position
Functions and programs:				
General support	\$ 3,036,327	\$ 18,175	\$ 98,612	\$ (2,919,540)
Instruction	10,451,431	74,755	405,604	(9,971,072)
Pupil transportation	1,478,678	4,768	25,870	(1,448,040)
Debt service - interest	7,780	-	-	(7,780)
School lunch program	145,958	9,961	172,813	36,816
Total functions and programs	<u>\$ 15,120,174</u>	<u>\$ 107,659</u>	<u>\$ 702,899</u>	<u>(14,309,616)</u>
General revenues:				
Real property taxes				11,044,428
Other tax items				538,224
Use of money and property				2,032
Sale of property and compensation for loss				581,165
State sources				1,066,124
Miscellaneous				<u>183,886</u>
Total general revenues				<u>13,415,859</u>
Change in net position				(893,757)
Total net position, beginning of year				<u>(17,098,129)</u>
Total net position, end of year				<u>\$ (17,991,886)</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, 2022**

Major Funds						
	Special Revenue Funds					Total Governmental Funds
	General	Special Aid	School Lunch	Other Miscellaneous Special Revenue	Capital Projects	
ASSETS						
Unrestricted cash	\$ 1,857,978	\$ -	\$ 5,877	\$ -	\$ -	\$ 1,863,855
Receivables:						
State and federal aid	53,501	506,171	34,733	-	-	594,405
Due from other governments	158,467	-	-	-	-	158,467
Due from other funds	611,754	-	23,702	34,816	-	670,272
Other	83,960	-	1,943	-	-	85,903
Inventories	-	-	8,422	-	-	8,422
Restricted cash	3,175,770	5,991	-	23,948	326,606	3,532,315
Total assets	\$ 5,941,430	\$ 512,162	\$ 74,677	\$ 58,764	\$ 326,606	\$ 6,913,639
LIABILITIES						
Payables:						
Accounts payable	\$ 714,596	\$ -	\$ 12,984	\$ -	\$ -	\$ 727,580
Accrued liabilities	99,991	-	-	-	-	99,991
Due to other funds	58,518	508,226	-	-	103,528	670,272
Due to other governments	16,131	-	34	-	-	16,165
Due to teachers' retirement system	450,888	-	-	-	-	450,888
Due to employees' retirement system	50,776	-	-	-	-	50,776
Unearned revenues	-	3,936	916	-	-	4,852
Total liabilities	1,390,900	512,162	13,934	-	103,528	2,020,524
FUND BALANCE						
Fund balance:						
Nonspendable	-	-	8,422	-	-	8,422
Restricted	3,175,770	-	-	58,764	223,078	3,457,612
Assigned	661,894	-	52,321	-	-	714,215
Unassigned	712,866	-	-	-	-	712,866
Total fund balance	4,550,530	-	60,743	58,764	223,078	4,893,115
Total liabilities and fund balance	\$ 5,941,430	\$ 512,162	\$ 74,677	\$ 58,764	\$ 326,606	\$ 6,913,639

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, 2022**

Total Fund Balance - Governmental Funds	\$	4,893,115
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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		18,168,388	
Accumulated depreciation		<u>(7,690,102)</u>	10,715,219

Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Right-to-use assets, net		109,445	
Accumulated amortization		<u>(3,649)</u>	105,796

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:

Lease liabilities		(105,796)	
Workers' Compensation claims payable		(87,807)	
Compensated absences		<u>(272,889)</u>	(466,492)

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.

Proportionate share of net pension asset		4,467,877	
Deferred outflows of resources - pension related		3,439,494	
Deferred inflows of resources - pension related		<u>(5,917,904)</u>	1,989,467

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		3,520,566	
Total OPEB liability		(38,504,158)	
Deferred inflows of resources - OPEB related		<u>(245,399)</u>	<u>(35,228,991)</u>

Net Position - Governmental Activities	\$	<u>(17,991,886)</u>
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TUXEDO UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds					
	Special Revenue Funds					
	General	Special Aid	School Lunch	Other Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 11,044,428	\$ -	\$ -	\$ -	\$ -	\$ 11,044,428
Other tax items	538,224	-	-	-	-	538,224
Charges for services	97,698	-	-	-	-	97,698
Use of money and property	2,030	-	2	-	-	2,032
Sale of property and compensation for loss	581,165	-	-	-	-	581,165
State sources	1,066,124	54,239	3,323	-	-	1,123,686
Federal sources	-	475,847	169,490	-	-	645,337
Sales	-	-	9,961	-	-	9,961
Miscellaneous	113,743	-	159	27,234	42,750	183,886
Total revenues	13,443,412	530,086	182,935	27,234	42,750	14,226,417
EXPENDITURES						
Current -						
General support	2,357,134	-	-	-	-	2,357,134
Instruction	6,658,251	534,117	-	30,296	-	7,222,664
Pupil transportation	1,263,212	9,528	-	-	-	1,272,740
Employee benefits	3,490,868	-	3,067	-	-	3,493,935
Cost of sales	-	-	142,891	-	-	142,891
Capital outlay	-	-	-	-	9,578	9,578
Debt service -						
Principal	172,212	-	-	-	-	172,212
Interest	14,449	-	-	-	-	14,449
Total expenditures	13,956,126	543,645	145,958	30,296	9,578	14,685,603
Excess (deficiency) of revenues over (under) expenditures	(512,714)	(13,559)	36,977	(3,062)	33,172	(459,186)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of leases	109,445	-	-	-	-	109,445
Transfers in	-	13,559	-	-	-	13,559
Transfers out	(13,559)	-	-	-	-	(13,559)
Total other financing sources (uses)	95,886	13,559	-	-	-	109,445
Change in fund balance	(416,828)	-	36,977	(3,062)	33,172	(349,741)
Fund balance, beginning of year	4,967,358	-	23,766	61,826	189,906	5,242,856
Fund balance, end of year	\$ 4,550,530	\$ -	\$ 60,743	\$ 58,764	\$ 223,078	\$ 4,893,115

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, 2022

Net Change in Fund Balance - Governmental Funds \$ (349,741)

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 depreciation exceeds capital outlay in the current period is:

Capital outlay	\$ 101,964	
Depreciation expense	<u>(374,556)</u>	(272,592)

Governmental funds report lease outlays as expenditures. However, in the Statement of Activities, the cost of those leases is allocated over their lease term and reported as amortization expense.

Right-to-use assets, net	109,445	
Amortization expense	<u>(3,649)</u>	105,796

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.

Proceeds from issuance of leases	(109,445)	
Repayment of installment purchase debt payable	168,563	
Repayment of lease liabilities	<u>3,649</u>	62,767

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	2,373	
Compensated absences payable	194,873	
Accrued interest costs	<u>6,669</u>	203,915

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.

Proportionate share of the net pension asset	5,114,569	
Deferred outflows of resources from pensions	(24,711)	
Deferred inflows of resources from pensions	<u>(4,483,398)</u>	606,460

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

Deferred outflows of resources - OPEB related	(330,291)	
Total OPEB liability	(1,618,535)	
Deferred inflows of resources - OPEB related	<u>698,464</u>	<u>(1,250,362)</u>

Change in Net Position - Governmental Activities \$ (893,757)

**TUXEDO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

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)**

During the year, the District was billed \$759,861 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$245,161.

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, depreciation and amortization, 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)**

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

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.

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.

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

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 11 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.

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.

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

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.

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 financial statements are as follows:

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

	<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. Right-to-use assets

The District has recorded right-to-use assets as a result of implementing GASB Statement No. 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

O. 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.

P. 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.

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

Q. 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.

R. 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.

S. 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).

T. 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.

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

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, 2022, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

U. 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.

V. 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.

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

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 inventory recorded in the School Lunch Fund of \$8,422.
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.

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

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 \$200,133 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. This reserve is accounted for in the General Fund.

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, 2022.

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

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, 2022 were distributed as follows:

	General	School Lunch	Other Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 8,422	\$ -	\$ -	\$ 8,422
Total nonspendable	-	8,422	-	-	8,422
Restricted:					
Capital	2,000,945	-	-	-	2,000,945
Employee Benefit Accrued Liability	408,162	-	-	-	408,162
Unemployment Insurance	50,033	-	-	-	50,033
Workers' Compensation	200,133	-	-	-	200,133
Retirement Contributions	200,133	-	-	-	200,133
Repairs	150,100	-	-	-	150,100
Tax Certiorari	166,264	-	-	-	166,264
Extraclassroom Activity Funds	-	-	23,948	-	23,948
Scholarships	-	-	34,816	-	34,816
District Improvements	-	-	-	223,078	223,078
Total restricted	3,175,770	-	58,764	223,078	3,457,612
Assigned:					
Appropriated for subsequent year's expenditures	500,000	-	-	-	500,000
Encumbrances	161,894	-	-	-	161,894
School Lunch Fund	-	52,321	-	-	52,321
Total assigned	661,894	52,321	-	-	714,215
Unassigned	712,866	-	-	-	712,866
Total	\$ 4,550,530	\$ 60,743	\$ 58,764	\$ 223,078	\$ 4,893,115

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.

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

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 six 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.

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

3. Right-to-use asset related differences

Right-to-use asset related differences include the difference between recording an expenditure for the purchase of right-to-use assets in the fund financial statements and amortization expense on those items as recorded in the Statement of Activities.

4. 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.

5. 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.

6. 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 2022 fiscal year, the District implemented GASB Statement No. 87, *Leases*, which provides clearer guidance on identifying lease activities for accounting and reporting purposes. Upon implementation of the Statement, the District recognized a lease liability, with a corresponding right-to-use asset. Implementation of this Statement did not require a prior period adjustment.

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.

There were no supplemental appropriations that occurred during the year ended June 30, 2022.

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

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, 2022.

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.

The portion of the District's fund balance subject to NYS Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year.

The portion of the District's School Lunch Fund fund balance subject to federal regulations 7CFR Part 210.14(b) limit exceeded the amount allowable, which is three months average expenditure level. Actions the District plans to pursue to address this issue include purchasing several new pieces of kitchen equipment and making substantial improvements to the school kitchen serving lines in the upcoming year.

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	\$ 5,032,187
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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 \$3,532,315 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.

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

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, 2022 consisted of the following:

General Fund:

New York State Aid - excess cost aid	\$ 40,754
CARES Act aid	12,747

Special Aid Fund:

State and federal grants	506,171
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School Lunch Fund:

School breakfast and lunch reimbursement	34,733
	<u>\$ 594,405</u>

B. Due from other governments

Due from other governments at June 30, 2022 consisted of the following:

General Fund:

BOCES aid	<u>\$ 158,467</u>
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District management has deemed the amounts to be fully collectible.

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

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 236,933	\$ -	\$ -	\$ 236,933
Total nondepreciable assets	236,933	-	-	236,933
Capital assets that are depreciated:				
Land improvements	116,866	-	-	116,866
Buildings and building improvements	17,582,672	-	-	17,582,672
Machinery and equipment	304,691	51,747	-	356,438
Vehicles	329,236	50,217	(267,041)	112,412
Total depreciable assets	18,333,465	101,964	(267,041)	18,168,388
Less accumulated depreciation:				
Land improvements	114,293	1,252	-	115,545
Buildings and building improvements	6,894,895	337,168	-	7,232,063
Machinery and equipment	261,896	5,843	-	267,739
Vehicles	311,503	30,293	(267,041)	74,755
Total accumulated depreciation	7,582,587	374,556	(267,041)	7,690,102
Total capital assets, net	\$ 10,987,811	\$ (272,592)	\$ -	\$ 10,715,219

Depreciation expense was charged to governmental functions as follows:

General support	\$ 69,678
Instruction	286,598
Pupil transportation	18,280
	<u>\$ 374,556</u>

8. RIGHT-TO-USE ASSETS

The District has recorded right-to-use assets for leased equipment. The related lease is discussed in the Leases subsection of the Long-Term Debt Obligations note in Note 9. The right-to-use assets are amortized on a straight-line basis over the terms of the related leases.

Right-to-use asset balances and activity for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Right-to-use assets:				
Leased equipment	\$ -	\$ 109,445	\$ -	\$ 109,445
Less: accumulated amortization				
Leased equipment	-	3,649	-	3,649
Right to use assets, net	\$ -	\$ 105,796	\$ -	\$ 105,796

Amortization expense was charged to governmental functions as follows:

General support	<u>\$ 3,649</u>
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**TUXEDO UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

9. 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	\$ 168,563	\$ -	\$ 168,563	\$ -	\$ -
Lease liabilities	-	109,445	3,649	105,796	21,584
Workers' Compensation claims payable	90,180	84,218	86,591	87,807	8,781
Compensated absences	467,762	-	194,873	272,889	18,000
Total long-term liabilities	<u>\$ 726,505</u>	<u>\$ 193,663</u>	<u>\$ 453,676</u>	<u>\$ 466,492</u>	<u>\$ 48,365</u>

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.

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

Interest paid	\$ 14,449
Less interest accrued in the prior year	<u>(6,669)</u>
Total interest expense	<u>\$ 7,780</u>

Lease liabilities - The District has entered into an agreement to lease certain equipment. The lease agreement qualifies as an other than short-term lease under GASB Statement No. 87 and, therefore, has been recorded at the present value of future minimum lease payments as of July 1, 2021.

The agreement was executed on July 29, 2021, to lease office equipment and requires 60 monthly payments of \$1,857. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0.73%, which was the District's borrowing rate at the inception of the lease agreement. As a result of the lease, the District has recorded a right-to-use asset with a net book value of \$105,796 at June 30, 2022. The right-to-use asset is discussed in more detail in the Right-To-Use Assets section in Note 8.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

	Principal	Interest	Total
<u>June 30,</u>			
2023	\$ 21,584	\$ 700	\$ 22,284
2024	21,742	542	22,284
2025	21,901	383	22,284
2026	22,062	222	22,284
2027	18,507	62	18,569
	<u>\$ 105,796</u>	<u>\$ 1,909</u>	<u>\$ 107,705</u>

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

10. 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.

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.

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.

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.

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

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:

Year	NYSERS	NYSTRS
2022	\$ 196,776	\$ 379,565
2021	176,273	349,890
2020	183,688	440,484

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

At June 30, 2022, 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, 2021 for NYSTRS and March 31, 2022 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:

	NYSERS	NYSTRS
Measurement date	March 31, 2022	June 30, 2021
Net pension asset/(liability)	\$ 401,530	\$ 4,066,347
District's portion of the Plan's total net pension asset/(liability)	0.0049119%	0.023466%
Change in proportion since the prior measurement date	0.0011264%	0.000199%

For the year ended June 30, 2022, the District recognized pension expense of \$72,264 for NYSERS and pension income of \$96,339 for NYSTRS. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources - NYSERS	Deferred Outflows of Resources - NYSTRS	Deferred Inflows of Resources - NYSERS	Deferred Inflows of Resources - NYSTRS
Difference between expected experience and actual experience	\$ 30,408	\$ 560,503	\$ (39,441)	\$ (21,126)
Net difference between projected and actual earnings on pension plan investments	-	-	(1,314,844)	(4,255,853)
Changes in assumptions	670,109	1,337,506	(11,307)	(236,853)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	150,398	255,950	(23,954)	(14,526)
Employer contributions subsequent to the measurement date	50,776	383,844	-	-
Total	<u>\$ 901,691</u>	<u>\$ 2,537,803</u>	<u>\$ (1,389,546)</u>	<u>\$ (4,528,358)</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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2023	\$ (56,519)	\$ (388,133)
2024	(112,526)	(552,536)
2025	(314,389)	(747,548)
2026	(55,197)	(1,012,182)
2027	-	191,545
Thereafter	-	134,455

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:

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

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
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, 2015 to June 30, 2020 System's Experience
Inflation rate	2.70%	2.40%

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

<u>Service</u>	<u>Rate</u>
5	5.18%
15	3.64%
25	2.50%
35	1.95%

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

For NYSTRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020. For NYSERS, the actuarial assumptions used in the April 1, 2021 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:

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

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2022	March 31, 2022	June 30, 2021	June 30, 2021
Asset type				
Cash and cash equivalents	1.00%	(1.00%)	1.00%	(0.20%)
Credit	4.00%	3.78%	-	-
Domestic equity	32.00%	3.30%	33.00%	6.80%
Fixed income	23.00%	0.00%	16.00%	1.30%
Global equity	-	-	4.00%	7.10%
Global fixed income	-	-	2.00%	0.80%
High-yield fixed income	-	-	1.00%	3.80%
International equity	15.00%	5.85%	16.00%	7.60%
Opportunistic portfolio	3.00%	4.10%	-	-
Private debt	-	-	1.00%	5.90%
Private equity	10.00%	6.50%	8.00%	10.00%
Real assets	3.00%	5.58%	-	-
Real estate debt	-	-	7.00%	3.30%
Real estate equities	9.00%	5.00%	11.00%	6.50%
	<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 6.95% 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 6.95% 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 5.95% for NYSTRS) or 1 percentage point higher (6.90% for NYSERS and 7.95% for NYSTRS) than the current rate:

<u>NYSERS</u>	1% Decrease (4.90%)	Current assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset/(liability)	\$ (1,033,535)	\$ 401,530	\$ 1,601,893
<u>NYSTRS</u>	1% Decrease (5.95%)	Current assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset/(liability)	\$ 426,704	\$ 4,066,347	\$ 7,125,203

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

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, 2021	June 30, 2020	
Employers' total pension liability	\$ 223,874,888	\$ 130,819,415	\$ 354,694,303
Plan net position	<u>232,049,473</u>	<u>148,148,457</u>	<u>380,197,930</u>
Employers' net pension asset/(liability)	<u>\$ 8,174,585</u>	<u>\$ 17,329,042</u>	<u>\$ 25,503,627</u>
Ratio of plan net position to the employers' total pension asset/(liability)	103.65%	113.25%	107.19%

Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the system in September, October and November 2021 through a State aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$383,844.

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2022 amounted to \$50,776. Employee contributions are remitted monthly.

11. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

<u>Fund</u>	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 611,754	\$ 58,518	\$ -	\$ 13,559
Special Aid	-	508,226	13,559	-
School Lunch	23,702	-	-	-
Other Miscellaneous Special Revenue	34,816	-	-	-
Capital Projects	-	103,528	-	-
Totals	<u>\$ 670,272</u>	<u>\$ 670,272</u>	<u>\$ 13,559</u>	<u>\$ 13,559</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.

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

12. 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	121
Active plan members	<u>47</u>
Total plan members	<u><u>168</u></u>

B. Total OPEB liability

The District's total OPEB liability of \$38,504,158 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020.

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	2.16%
Healthcare cost trend rates	7.00% 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 Bond Buyer 20 GO Bond Index as of the measurement date.

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

Mortality rates were based on the Pub-2010 Headcount-Weighted Mortality Table projected generationally with MP-2021 from the central year.

C. Changes in the total OPEB liability

Balance as of June 30, 2021	<u>\$ 36,885,623</u>
<u>Changes for the year -</u>	
Service cost	970,994
Interest	824,754
Differences between expected and actual experience	25,949
Change in assumptions or other inputs	877,543
Benefit payments	<u>(1,080,705)</u>
Net changes	<u>1,618,535</u>
Balance as of June 30, 2022	<u><u>\$ 38,504,158</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 (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Current assumption (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability as of June 30, 2022	\$ 45,342,221	\$ 38,504,158	\$ 33,060,404

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:

	<u>1% Decrease (6.00% decreasing to 3.50%)</u>	<u>Current assumption (7.00% decreasing to 4.50%)</u>	<u>1% Increase (8.00% decreasing to 5.50%)</u>
Total OPEB liability as of June 30, 2021	\$ 32,122,025	\$ 38,504,158	\$ 46,724,054

OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,331,067. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Difference between expected experience and actual experience	\$ 121,476	\$ (46,868)
Changes of assumptions	<u>3,399,090</u>	<u>(198,531)</u>
Total	<u>\$ 3,520,566</u>	<u>\$ (245,399)</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>
2023	\$ 1,021,385
2024	1,114,853
2025	864,785
2026	274,144

13. 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.

14. CONTINGENCIES AND COMMITMENTS

Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. During the fiscal year ended June 30, 2022, the District encumbered the following amounts:

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

Assigned: Unappropriated Fund Balance

General Fund

General support	\$ 80,061
Instruction	81,260
Pupil transportation	<u>573</u>
	<u>\$ 161,894</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, 2021 at 1.01 (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

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.

15. 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 \$335,074 under agreements entered into by the County. This amount was collected via PILOT payments.

16. 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. 91	Conduit Debt Obligations	June 30, 2023
Statement No. 94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	June 30, 2023
Statement No. 96	Subscription-Based Information Technology Arrangements	June 30, 2023

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

17. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of November 16, 2022, which is the date the financial statements were available to be issued, noting no matters requiring financial statement disclosure.

**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, 2022**

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance Better (Worse)
REVENUES					
Local sources:					
Real property taxes	\$ 11,035,272	\$ 11,035,272	\$ 11,044,428		\$ 9,156
Other tax items	564,286	564,286	538,224		(26,062)
Charges for services	139,450	139,450	97,698		(41,752)
Use of money and property	5,850	5,850	2,030		(3,820)
Sale of property and compensation for loss	-	418,385	581,165		162,780
Miscellaneous	87,150	87,150	113,743		26,593
Total local sources	11,832,008	12,250,393	12,377,288		126,895
State sources	1,070,504	1,070,504	1,066,124		(4,380)
Total revenues	12,902,512	13,320,897	13,443,412		122,515
OTHER FINANCING SOURCES					
Proceeds from issuance of leases	-	-	109,445		109,445
Prior year encumbrances	563,653	563,653	-		(563,653)
Appropriated reserves	797,021	378,636	-		(378,636)
Total revenues and other financing sources	14,263,186	14,263,186	13,552,857		(710,329)
EXPENDITURES					
General support:					
Board of Education	32,225	63,146	52,955	\$ -	10,191
Central administration	269,950	251,423	222,052	-	29,371
Finance	257,305	260,269	260,196	-	73
Staff	147,942	227,347	187,743	52,261	(12,657)
Central services	1,281,102	1,395,152	1,410,425	27,800	(43,073)
Special items	268,155	228,590	223,763	-	4,827
Total general support	2,256,679	2,425,927	2,357,134	80,061	(11,268)
Instruction:					
Instruction, administration and improvement	300,889	436,821	461,319	-	(24,498)
Teaching - regular school	3,131,796	3,155,374	3,205,603	857	(51,086)
Programs for children with handicapping conditions	2,343,497	2,305,896	2,146,245	47,620	112,031
Instructional media	413,768	371,206	340,886	21,083	9,237
Pupil services	559,538	582,248	504,198	11,700	66,350
Total instruction	6,749,488	6,851,545	6,658,251	81,260	112,034
Pupil transportation	1,322,571	1,339,234	1,263,212	573	75,449
Employee benefits	3,847,230	3,443,462	3,490,868	-	(47,406)
Debt service:					
Principal	50,654	171,454	172,212	-	(758)
Interest	11,564	16,564	14,449	-	2,115
Total expenditures	14,238,186	14,248,186	13,956,126	161,894	130,166
OTHER FINANCING USES					
Transfers out	25,000	15,000	13,559	-	1,441
Total expenditures and other financing uses	14,263,186	14,263,186	13,969,685	\$ 161,894	131,607
Net change in fund balance	\$ -	\$ -	(416,828)		\$ (578,722)
Fund balance, beginning of year			4,967,358		
Fund balance, end of year			\$ 4,550,530		

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.

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

Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	\$ 970,994	\$ 1,001,270	\$ 871,811	\$ 732,697	\$ 879,003
Interest	824,754	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	25,949	(74,602)	35,269	352,215	-
Changes in assumptions or other inputs	877,543	2,926,675	1,762,257	430,596	(3,621,516)
Benefit payments	<u>(1,080,705)</u>	<u>(1,023,108)</u>	<u>(972,901)</u>	<u>(807,791)</u>	<u>(898,949)</u>
Net change in total OPEB liability	1,618,535	4,001,801	2,872,949	1,431,218	(2,736,617)
Total OPEB liability - beginning of year	<u>36,885,623</u>	<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>\$ 38,504,158</u>	<u>\$ 36,885,623</u>	<u>\$ 32,883,822</u>	<u>\$ 30,010,873</u>	<u>\$ 28,579,655</u>
Covered payroll	\$ 5,730,455	\$ 3,839,636	\$ 5,087,456	\$ 5,087,456	\$ 4,912,074
Total OPEB liability as a percentage of covered payroll	671.92%	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.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>NYSERS</u>						
District's proportionate share of the net pension asset/(liability)	0.00491%	0.00379%	0.00346%	0.00359%	0.00356%	0.00361%
District's proportionate share of the net pension asset/(liability)	\$ 402	\$ (4)	\$ (915)	\$ (255)	\$ (115)	\$ (339)
District's covered payroll	\$ 1,756	\$ 1,368	\$ 1,263	\$ 1,300	\$ 1,277	\$ 1,337
District's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	22.86%	0.28%	72.45%	19.59%	8.99%	25.38%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
Discount rate	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%

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

<u>NYSTRS</u>						
District's proportionate share of the net pension asset/(liability)	0.02347%	0.02327%	0.02306%	0.02450%	0.02554%	0.02612%
District's proportionate share of the net pension asset/(liability)	\$ 4,066	\$ (643)	\$ 599	\$ 443	\$ 194	\$ (280)
District's covered payroll	\$ 3,671	\$ 3,949	\$ 3,949	\$ 3,850	\$ 4,065	\$ 4,054
District's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	110.76%	16.28%	15.17%	11.51%	4.78%	6.90%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%
Discount rate	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%

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

****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.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>NYSERS</u>						
Contractually required contribution	\$ 197	\$ 176	\$ 184	\$ 185	\$ 186	\$ 205
Contributions in relation to the contractually required contribution	<u>197</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 1,758	\$ 1,371	\$ 1,263	\$ 1,300	\$ 1,277	\$ 1,337
Contributions as a percentage of covered payroll	11.19%	12.86%	14.55%	14.21%	14.56%	15.35%
<u>NYSTRS</u>						
Contractually required contribution	\$ 380	\$ 350	\$ 440	\$ 489	\$ 398	\$ 489
Contributions in relation to the contractually required contribution	<u>380</u>	<u>350</u>	<u>440</u>	<u>489</u>	<u>398</u>	<u>489</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,873	\$ 3,671	\$ 4,972	\$ 4,602	\$ 4,065	\$ 4,170
Contributions as a percentage of covered payroll	9.80%	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.

**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, 2022**

Change from adopted budget to final budget:

Original budget	\$ 13,699,533	
Add: prior year encumbrances	<u>563,653</u>	
Adopted budget		<u>\$ 14,263,186</u>
Final budget		<u><u>\$ 14,263,186</u></u>

§1318 of real property tax law limit calculation:

2022-2023 voter-approved budget	<u>\$ 13,962,045</u>
Maximum allowed (4% of 2022-2023 budget)	<u><u>\$ 558,482</u></u>

General Fund fund balance subject to §1318 of real property tax law:

Unrestricted fund balance:		
Assigned fund balance	\$ 661,894	
Unassigned fund balance	<u>712,866</u>	\$ 1,374,760
Less:		
Appropriated fund balance	500,000	
Encumbrances	<u>161,894</u>	<u>661,894</u>
General Fund fund balance subject to §1318 of real property tax law		<u><u>\$ 712,866</u></u>
Actual percentage		<u><u>5.1%</u></u>

TUXEDO UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2022

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2022
	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
Repairs - 2021-22	42,750	42,750	-	9,578	9,578	33,172	-	-	42,750	42,750	33,172
Smart Bond Project	94,500	94,500	-	-	-	94,500	-	-	-	-	-
	\$ 1,501,250	\$ 1,501,250	\$ 1,002,574	\$ 9,578	\$ 1,012,152	\$ 489,098	\$ 647,740	\$ -	\$ 549,750	\$ 1,235,230	\$ 223,078

OTHER
SUPPLEMENTARY
INFORMATION

TUXEDO UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2022

Capital assets, net			\$ 10,715,219
Add:			
Right-to-use assets, net			105,796
Deduct:			
Short-term portion of lease liabilities	\$ 21,584		
Long-term portion of lease liabilities	<u>84,212</u>	<u>105,796</u>	
Net investment in capital assets			<u>\$ 10,715,219</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, 2022, 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 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

Report on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of compliance findings as items 22-01 and 22-02.

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 16, 2022

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.

**TUXEDO UNION FREE SCHOOL DISTRICT
SCHEDULE OF COMPLIANCE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Findings - Financial Statement Audit

22-01 The District's unassigned fund balance in the General Fund exceeded the limitation as promulgated by New York State statute.

Condition: The District did not comply with the limitations on unassigned fund balance.

Criteria: New York State law limits the unassigned fund balance of the General Fund to 4% of the following year's budget.

Effect: The District did not comply with the New York State accounting requirements as of June 30, 2022.

Cause: The District was not able to make a proper disposition of excess fund balance, which resulted from the sale of District buses during the year.

Recommendation: The District should monitor fund balance throughout the year, to comply with New York State requirements.

Response: The District is in agreement with this finding and will ensure procedures are in effect to comply with such accounting requirements in the future.

22-02 The District's fund balance within the School Lunch Fund exceeded the New York State limitation of three month's average expenditures.

Condition: The District had excessive fund balance within the School Lunch Fund.

Criteria: New York State law limits the School Lunch Fund's fund balance to not exceed three month's average expenditures.

Effect: The District did not comply with the New York State accounting requirements as of June 30, 2022.

Cause: The District was not able to make a proper disposition of excess fund balance, which resulted from increased state and federal aid within the School Lunch Fund due to COVID-19.

Recommendation: The District should monitor School Lunch Fund fund balance throughout the year to comply with New York State requirements.

Response: The District is in agreement with this finding and will ensure procedures are in effect to comply with such accounting requirements in the future.

**TUXEDO UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS:

None reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS:

1. Year-end closing procedures

We recommended that the District establish formal policies and procedures to be put in place to establish a year-end closing process.

Status - We noted that this recommendation was in the process of being implemented.

2. Grant reconciliations

We recommended that the District establish formal policies and procedures by which all State and federal grants are reconciled and tracked on an ongoing basis.

Status - We noted that this recommendation was implemented.

3. Bank reconciliation approval

We recommended 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.

Status - We noted that this recommendation was not implemented.

4. Bank reconciliation timeliness

We recommended that the District establish formal policies and procedures by which all bank reconciliations are done and completed within the subsequent month.

Status - We noted that this recommendation was in the process of being implemented.

5. Account reconciliations

We recommended that the District establish policies and procedures by which all account balances are actively tracked and reconciled.

Status - We noted that this recommendation was implemented.

6. Reserve tracking

We recommended that the District establish formal policies and procedures by which all General Fund reserves are reviewed against applicable funding limitations on an annual basis.

Status - We noted that this recommendation was not implemented.

**TUXEDO UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

7. School Lunch Fund fund balance

We recommended 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.

Status - We noted that this recommendation was not implemented.

8. Capital assets

We recommended that the District establish policies and procedures by which all capital asset reports are tracked and reconciled on a regular basis.

Status - We noted that this recommendation was implemented.

9. Scholarships

We recommended that the District establish formal policies and procedures by which all scholarship accounts and balances are actively tracked and monitored.

Status - We noted that this recommendation was in the process of being implemented.

10. Journal entries

We recommended 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.

Status - We noted that this recommendation was in the process of being implemented.