



**SAG HARBOR  
UNION FREE SCHOOL DISTRICT**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
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VINCENT D. CULLEN, CPA  
(1950 - 2013)

JAMES E. DANOWSKI, CPA  
PETER F. RODRIGUEZ, CPA  
JILL S. SANDERS, CPA  
DONALD J. HOFFMANN, CPA  
CHRISTOPHER V. REINO, CPA  
ALAN YU, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Sag Harbor Union Free School District  
Sag Harbor, New York

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
General Fund	Unmodified
Special Aid Fund	Unmodified
School Food Service Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Extraclassroom Activities Fund	Qualified
Scholarships Fund	Unmodified
Afterschool Elementary Program	Unmodified
Fiduciary Fund	Unmodified

### ***Basis for Qualified Opinion on the Extraclassroom Activities Fund***

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

### ***Qualified Opinion***

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

### ***Unmodified Opinions***

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

### ***Changes in Accounting Principles***

As described in Note 2 to the financial statements, “Changes in Accounting Principles”, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of June 30, 2021. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension liability, schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 4 through 17 and 55 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to

be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sag Harbor Union Free School District's basic financial statements. The other supplementary information on pages 60 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the Sag Harbor Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sag Harbor Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sag Harbor Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 27, 2021

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

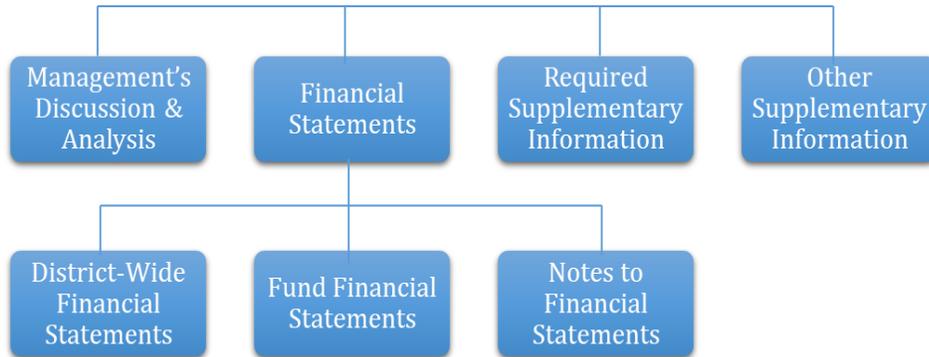
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$46,005,125. Of this amount, \$2,343,988 was offset by program charges for services and operating grants and contributions. General revenues of \$42,147,698 amount to 94.7% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$428,105 in operating grants to support instructional programs.
- The District's general fund fund balance, as reflected in the fund financial statements was \$18,829,352 at June 30, 2021. This balance represents a \$3,590,094 increase (23.56%) over the prior year due to an excess of revenues over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
  - Restricted fund balances increased by \$4,225,097 due to funding of reserves and interest allocated to the reserves, offset partially by the use of capital reserves.
  - Assigned fund balance decreased \$656,546, as the District decreased the fund balance appropriated to fund the 2022 budget, and encumbrances outstanding at year-end.
  - Unassigned fund balance increased by \$21,543 to \$1,794,840.
- The District's total net position at June 30, 2020 was restated and increased by \$261,785, which is due to the required implementation of GASB Statement No. 84, Fiduciary Activities, during the 2021 fiscal year.
- The District's total net position was a deficit of \$43,668,302 in the district-wide financial statements, at June 30, 2021, compared to a deficit of \$42,154,863 at June 30, 2020. The deficit increased \$1,513,439 over the prior year, as a result of expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting.
- On June 9, 2020 the District's voters approved a proposition authorizing the use of \$56,068 from the Transportation Fleet Capital Reserve fund to purchase a bus. The funds were transferred to the capital projects fund in the prior year, and the bus was purchased in the current year.
- On May 18, 2021 the District's voters approved a proposition authorizing the use of \$58,766 from the Transportation Fleet Capital Reserve Fund to purchase a bus. The funds were transferred to the capital projects fund, but not spent, as of June 30, 2021.
- On May 18, 2021, the District's voters also approved the establishment of a new Facilities Improvement Capital Reserve Fund in the amount of \$15,000,000, plus investment income, to be funded over a period of 15 years for the purpose of financing district-wide capital improvements. The source of funding for the Facilities Capital Reserve Fund included a transfer of the remaining balance of \$2,943,536 from the Capital Reserve Fund established in May 2011, and a maximum of \$1,500,000 in any year from the year-end surplus.
- The District's 2021 property tax levy of \$39,737,613 was a 2.71% increase over the 2020 tax levy. The District's property tax cap was 3.07%.

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

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**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

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**B. Fund Financial Statements**

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

Certain balances at June 30, 2020 were adjusted as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, which required the District to record activities in the Governmental Funds that had previously been recorded in the Fiduciary Funds. Consequently, the District now includes certain agency fund activities in the general fund, and the extraclassroom, scholarships and afterschool elementary program funds as separate governmental funds. The changes resulted in an increase in total net position. The following is a summary of these changes:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current and Other Assets	\$ 24,956,392	\$ 24,635,296	\$ 321,096
Current and Other Liabilities	6,712,023	6,652,712	59,311
Restricted Net Position	12,335,063	12,259,777	75,286
Unrestricted Net Position (Deficit)	(70,913,807)	(71,100,306)	186,499
Total Net Position (Deficit)	(42,154,863)	(42,416,648)	261,785

The District's total net position deficit increased by \$1,513,439 between fiscal year 2021 and 2020. The increase in the deficit is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statement of Net Position follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 24,543,742	\$ 24,956,392	\$ (412,650)	(1.65)%
Capital Assets, Net	35,302,766	35,351,329	(48,563)	(0.14)%
Net Pension Asset - Proportionate Share		2,724,096	(2,724,096)	(100.00)%
Total Assets	59,846,508	63,031,817	(3,185,309)	(5.05)%
<b>Deferred Outflows of Resources</b>	18,528,264	17,257,139	1,271,125	7.37 %
<b>Liabilities</b>				
Current and Other Liabilities	4,104,769	6,712,023	(2,607,254)	(38.84)%
Long-Term Liabilities	17,895,260	19,140,895	(1,245,635)	(6.51)%
Net Pension Liabilities - Proportionate Share	2,861,697	3,206,817	(345,120)	(10.76)%
Total OPEB Liability	83,994,478	79,728,043	4,266,435	5.35 %
Total Liabilities	108,856,204	108,787,778	68,426	0.06 %
<b>Deferred Inflows of Resources</b>	13,186,870	13,656,041	(469,171)	(3.44)%
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	19,434,423	16,423,881	3,010,542	18.33 %
Restricted	16,460,470	12,335,063	4,125,407	33.44 %
Unrestricted (Deficit)	(79,563,195)	(70,913,807)	(8,649,388)	(12.20)%
Total Net Position (Deficit)	\$ (43,668,302)	\$ (42,154,863)	\$ (1,513,439)	(3.59)%

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

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The decrease in current and other assets is related to a decrease in cash.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective pension asset, at the measurement date of the respective year. In the current year, the District's proportionate share shifted from an asset to a liability. The accompanying Notes to the Financial Statements, Note 14 "Pension Plans – New York State," provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The decrease in current and other liabilities is principally related to a decrease in BANs payable, offset by an increase in accounts payable. The decrease in BANs payable is the result of the District issuing bond anticipation notes in June 2020.

The decrease in long-term liabilities is primarily due to the repayment of bond principal.

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

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

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

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

The restricted amount relates to the District's reserves and other restricted amounts. This amount increased over the prior year principally due to the transfer into reserves and interest allocated to the reserves, offset by the use of capital reserves.

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

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

**B. Changes in Net Position**

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

	As Restated 2020	As Reported 2020	Increase (Decrease)
Charges for Services	\$ 1,824,460	\$ 1,652,199	\$ 172,261
Operating Grants & Contributions	315,798	313,057	2,741
Instruction Expenses	34,901,393	34,777,322	124,071

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

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,902,755	\$ 1,824,460	\$ 78,295	4.29 %
Operating Grants & Contributions	432,183	315,798	116,385	36.85 %
General Revenues				
Property Taxes & STAR	39,737,647	38,688,681	1,048,966	2.71 %
State Sources	1,733,790	1,957,439	(223,649)	(11.43)%
Other	676,261	549,547	126,714	23.06 %
Total Revenues	<u>44,482,636</u>	<u>43,335,925</u>	<u>1,146,711</u>	2.65 %
<b>Expenses</b>				
General Support	7,785,418	8,681,112	(895,694)	(10.32)%
Instruction	35,635,234	34,901,393	733,841	2.10 %
Pupil Transportation	1,880,528	1,903,206	(22,678)	(1.19)%
Community Services	4,469		4,469	N/A
Debt Service - Interest	473,057	737,322	(264,265)	(35.84)%
Food Service Program	217,369	426,264	(208,895)	(49.01)%
Total Expenses	<u>45,996,075</u>	<u>46,649,297</u>	<u>(653,222)</u>	(1.40)%
Change in Net Position	<u>\$ (1,513,439)</u>	<u>\$ (3,313,372)</u>	<u>\$ 1,799,933</u>	54.32 %

The District's net position decreased by \$1,513,439 and \$3,313,372 for the years ended June 30, 2021 and 2020, respectively.

The District's revenues increased by \$ 1,155,761 or 2.67%. This was primarily due to the increase in property taxes and STAR.

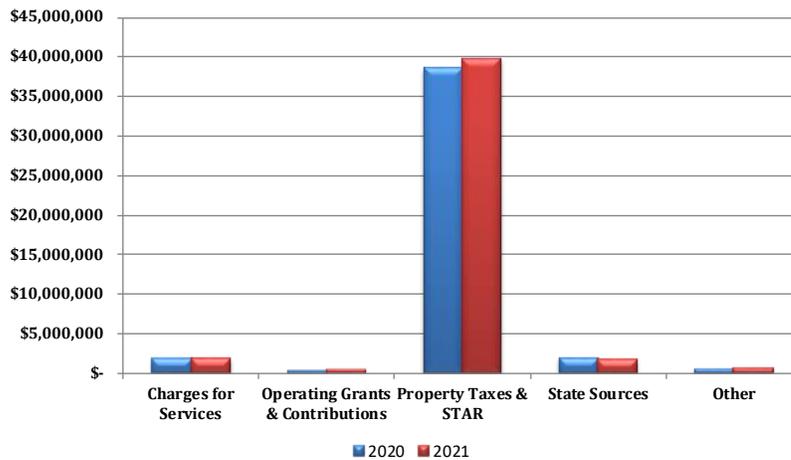
The District's total expenses for the year decreased by \$644,172 or 1.38%. The decrease in expenses is primarily due to decreases in general support, debt service-interest and the food service program, offset partially by an increase in instruction. The primary reason for the decrease in general support is due to excess maintenance and repair expenses (primarily related to the Stella Maris building) in the prior year.

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

The decrease in debt service is due to a decrease in short-term borrowing issued during the year. The decrease in the food service program is due to alternating days of remote learning and in person learning, as a result of COVID-19. The increase in instruction is due primarily to increases in salaries and benefits due to hiring additional staff for remote learning and smaller class sizes because of the COVID-19 pandemic.

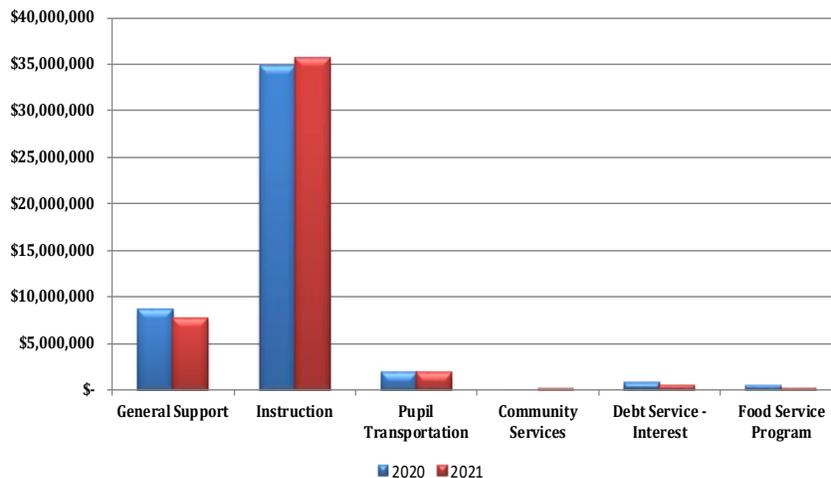
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 89.3% of the total for the years June 30, 2021 and 2020). Instruction expenses is the largest category of expenses incurred (i.e., 77.5% and 74.8% of the total for the years June 30, 2021 and 2020, respectively).

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



	Charges for Services	Operating Grants & Contributions	Property Taxes & STAR	State Sources	Other
<b>2020</b>	4.2%	0.7%	89.3%	4.5%	1.3%
<b>2021</b>	4.3%	1.0%	89.3%	3.9%	1.5%

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



	General Support	Instruction	Pupil Transportation	Community Services	Debt Service - Interest	Food Service Program
<b>2020</b>	18.6%	74.8%	4.1%	0.0%	1.6%	0.9%
<b>2021</b>	16.9%	77.5%	4.1%	0.0%	1.0%	0.5%

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

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

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$20,330,823, which is an increase of \$2,204,945, as compared to the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities, scholarships funds and afterschool elementary program, as a result of the implementation of GASB Statement No. 84. A summary of the change in the components of fund balance by fund is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Restricted				
Workers' compensation	\$ 854,741	\$ 854,506	\$ 235	0.03 %
Unemployment insurance	201,110	101,080	100,030	98.96 %
Retirement contribution:				
Teachers' retirement system	1,043,032	692,890	350,142	50.53 %
Employees' retirement system	3,635,703	1,338,766	2,296,937	171.57 %
Insurance	1,542,032	1,508,586	33,446	2.22 %
Employee benefit accrued liability	449,360	449,135	225	0.05 %
Capital	6,164,026	4,720,806	1,443,220	30.57 %
Repairs	1,762,014	1,761,152	862	0.05 %
Assigned:				
Appropriated fund balance	981,045	1,591,783	(610,738)	(38.37)%
Unappropriated fund balance	401,449	447,257	(45,808)	(10.24)%
Unassigned: Fund Balance	1,794,840	1,773,297	21,543	1.21 %
	<u>18,829,352</u>	<u>15,239,258</u>	<u>3,590,094</u>	23.56 %
<b>School Food Service Fund</b>				
Nonspendable: Inventory	2,978	2,837	141	4.97 %
Assigned: Unappropriated fund balance	2,288	1,296	992	76.54 %
	<u>5,266</u>	<u>4,133</u>	<u>1,133</u>	27.41 %
<b>Debt Service Fund</b>				
Restricted: Debt service	435,092	434,290	802	0.18 %
<b>Capital Projects Fund</b>				
Restricted:				
Capital	299,432	398,566	(99,134)	(24.87)%
Unspent bond proceeds	236,657	1,512,552	(1,275,895)	(84.35)%
Assigned: Unappropriated fund balance	325,294	275,294	50,000	18.16 %
	<u>861,383</u>	<u>2,186,412</u>	<u>(1,325,029)</u>	(60.60)%
<b>Extraclassroom Activities Fund</b>				
Assigned: Unappropriated fund balance	72,398	128,360	(55,962)	(43.60)%
<b>Scholarships Fund</b>				
Restricted: Scholarships	73,928	75,286	(1,358)	(1.80)%
<b>Afterschool Elementary Program Fund</b>				
Assigned: Unappropriated fund balance	53,404	58,139	(4,735)	(8.14)%
Total Fund Balance	<u>\$ 20,330,823</u>	<u>\$ 18,125,878</u>	<u>\$ 2,204,945</u>	12.16 %

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

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$3,590,094, compared to an increase of \$920,847 in 2020. This resulted from an excess of revenues over expenditures and other financing uses.

The District’s revenues increased by \$1,422,098 or 3.34%, as compared to the prior year. This increase is primarily attributable to an increase in property taxes and STAR, which is due to an increase in the tax levy in accordance with the 2020-2021 budget.

Expenditures and other financing uses decreased by \$1,247,149 or 2.99% from the prior year. This decrease was primarily due to a decrease in general support. The decrease in general support is mainly due to decreases in repairs and maintenance (primarily related to the Stella Maris building).

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

	Balance @ June 30, 2020	Use of Reserves	Interest	Funding/ (Transfer)	Balance @ June 30, 2021
Workers' compensation	\$ 854,506	\$	\$ 235	\$	\$ 854,741
Unemployment insurance	101,080		30	100,000	201,110
Retirement contribution:					
TRS	692,890		142	350,000	1,043,032
ERS	1,338,766		274	2,296,663	3,635,703
Insurance	1,508,586		446	33,000	1,542,032
EBALR	449,135		225		449,360
Capital					
May 2011	2,943,536			(2,943,536)	-
May 2017	1,777,270	(58,766)	545		1,719,049
May 2021			1,441	4,443,536	4,444,977
Repairs	1,761,152		862		1,762,014
	<u>\$ 11,426,921</u>	<u>\$ (58,766)</u>	<u>\$ 4,200</u>	<u>\$ 4,279,663</u>	<u>\$ 15,652,018</u>

Additional detail regarding capital reserves can be found in Note 18 “Restricted for Capital Reserve.”

**B. School Food Service Fund**

The net change in the school food service fund – fund balance is an increase of \$1,133, which was the operating profit of the food service program. This profit included a \$130,000 subsidy from the general fund, which was a decrease of \$82,000 from the prior year.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is an increase of \$802, which was the amount of interest earned during the current year.

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

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$1,325,029, due to expenditures incurred during the year on capital projects.

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

	Balance @ June 30, 2020	Use of Reserves	Funding	Balance @ June 30, 2021
May 2011	\$ 326,511	\$ (100,822)	\$	\$ 225,689
May 2017	72,055	(57,078)	58,766	73,743
	<u>\$ 398,566</u>	<u>\$ (157,900)</u>	<u>\$ 58,766</u>	<u>\$ 299,432</u>

**E. Extraclassroom Activities Fund**

The net change in the extraclassroom activities fund – fund balance is a decrease of \$55,962.

**F. Scholarships Fund**

The net change in the scholarships fund – fund balance is a decrease of \$1,358.

**G. Afterschool Elementary Program Fund**

The net change in the afterschool elementary program – fund balance is a decrease of \$4,735.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2020-2021 Budget**

The District’s general fund adopted budget for the year ended June 30, 2021 was \$44,332,423. This amount was increased by encumbrances carried forward from the prior year in the amount of \$447,257 and budget revisions in the amount of \$130,456 for a total final budget of \$44,910,136.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$39,737,613 in estimated property taxes and STAR.

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

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

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

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Opening, Unassigned Fund Balance	\$ 1,773,297
Revenues Over Budget	1,246,872
Expenditures and Encumbrances Under Budget	4,039,579
Allocation to Reserves	(4,283,863)
Appropriated for the 2021-2022 Budget	<u>(981,045)</u>
Closing, Unassigned Fund Balance	<u>\$ 1,794,840</u>

Opening, Unassigned Fund Balance

The \$1,773,297 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$42,812,330. Actual revenues recognized for the year were \$44,059,202. The excess of actual revenues over estimated or budgeted revenues was \$1,246,872, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures was \$44,910,136. Actual expenditures as of June 30, 2021, were \$40,469,108 and outstanding encumbrances were \$401,449. The final budget variance was \$4,039,579, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §5.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$981,045 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

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

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the unassigned fund balance at June 30, 2021 was \$1,794,840. This amount equals 4.0% of the 2021-2022 budget and is equal to the statutory limit.

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

**A. Capital Assets**

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$1,471,581 in excess of capital additions of \$1,423,018 recorded for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Land	\$ 2,555,695	\$ 2,555,695	\$ -
Construction in progress		15,271,319	(15,271,319)
Buildings	30,749,292	15,318,136	15,431,156
Improvements Other Than Buildings	778,215	854,158	(75,943)
Machinery and Equipment	673,650	722,287	(48,637)
Licensed Vehicles	545,914	629,734	(83,820)
Capital assets, net	<u>\$ 35,302,766</u>	<u>\$ 35,351,329</u>	<u>\$ (48,563)</u>

**B. Debt Administration**

At June 30, 2021, the District had total bonds payable of \$16,105,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. A summary of the outstanding debt at June 30, 2021 is as follows:

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
9/15/2011	2.0%-4.0%	\$ 310,000	\$ 610,000	\$ (300,000)
2/16/2016	2.0%-3.0%	7,050,000	7,445,000	(395,000)
6/1/2020	2.0%-5.0%	8,745,000	9,190,000	(445,000)
		<u>\$ 16,105,000</u>	<u>\$ 17,245,000</u>	<u>\$ (1,140,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2021 are approximately 1.85% of the District's debt limit.

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

**C. Other Long-Term Liabilities**

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

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Compensated absences	\$ 406,125	\$ 343,457	\$ 62,668
Workers' compensation	282,731	288,479	(5,748)
Net pension liabilities - proportionate share	2,861,697	3,206,817	(345,120)
Total OPEB liability	<u>83,994,478</u>	<u>79,728,043</u>	<u>4,266,435</u>
	<u>\$ 87,545,031</u>	<u>\$ 83,566,796</u>	<u>\$ 3,978,235</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021, for the year ending June 30, 2022, is \$44,871,539. This is an increase of \$539,116 or 1.22% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$561,737 increase over the prior year's estimate, which is principally due to an estimated increase in non-resident tuition and state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$981,045 is a decrease of \$610,738 from the previous year. Additionally, the District has not elected to appropriate reserves. A property tax increase of \$588,117 (1.48%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

**B. Future Budgets**

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

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 1.49%. The District's 2021-2022 property tax increase of 1.48% was less than the tax cap and did not require an override vote.

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

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**8. CONTACTING THE DISTRICT**

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

Ms. Jennifer Buscemi  
School Business Administrator  
Sag Harbor Union Free School District  
200 Jermain Avenue  
Sag Harbor, NY 11963

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2021

**ASSETS**

Cash	
Unrestricted	\$ 6,658,382
Restricted	16,697,665
Receivables	
Accounts receivable	78,188
Due from state and federal	565,349
Due from other governments	356,577
Inventory	2,978
Other assets	184,603
Capital assets:	
Not being depreciated	2,555,695
Being depreciated, net of accumulated depreciation	<u>32,747,071</u>
 Total Assets	 <u>59,846,508</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	12,443,625
Other postemployment benefits	<u>6,084,639</u>
 Total Deferred Outflows of Resources	 <u>18,528,264</u>

**LIABILITIES**

Payables	
Accounts payable	1,627,951
Accrued liabilities	181,827
Due to other governments	216,605
Due to teachers' retirement system	1,902,382
Due to employees' retirement system	166,956
Unearned credits	
Collections in advance	9,048
Long-term liabilities	
Due and payable within one year	
Bonds payable - net	1,305,747
Compensated absences payable	19,353
Due and payable after one year	
Bonds payable	15,900,657
Compensated absences payable	386,772
Workers' compensation liabilities	282,731
Net pension liabilities - proportionate share	2,861,697
Total other postemployment benefits liability	<u>83,994,478</u>
 Total Liabilities	 <u>108,856,204</u>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	4,973,358
Other postemployment benefits	<u>8,213,512</u>
 Total Deferred Inflows of Resources	 <u>13,186,870</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>19,434,423</u>
Restricted:	
Workers' compensation	854,741
Unemployment insurance	201,110
Retirement contribution	
Teachers' retirement system	1,043,032
Employees' retirement system	3,635,703
Insurance	1,542,032
Employee benefit accrued liability	449,360
Capital	6,463,458
Repairs	1,762,014
Debt	435,092
Scholarships	73,928
	<u>16,460,470</u>
 Unrestricted (Deficit)	 <u>(79,563,195)</u>
 Total Net Position (Deficit)	 <u>\$ (43,668,302)</u>

**SAG HARBOR UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For the Year Ended June 30, 2021

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants & Contributions	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 7,785,418	\$	\$	\$ (7,785,418)
Instruction	35,635,234	1,820,696	428,105	(33,386,433)
Pupil transportation	1,880,528			(1,880,528)
Community services	4,469			(4,469)
Debt service - interest	473,057			(473,057)
Food service program	217,369	82,059	4,078	(131,232)
	<u>217,369</u>	<u>82,059</u>	<u>4,078</u>	<u>(131,232)</u>
Total Functions and Programs	<u>\$ 45,996,075</u>	<u>\$ 1,902,755</u>	<u>\$ 432,183</u>	<u>(43,661,137)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				39,395,121
Other tax items				500,880
Use of money and property				27,502
Sale of property and compensation for loss				9,882
Miscellaneous				480,523
State sources				<u>1,733,790</u>
Total General Revenues				<u>42,147,698</u>
Change in Net Position (Deficit)				(1,513,439)
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(42,154,863)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (43,668,302)</u>

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2021

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Afterschool Elementary Program	Total Governmental Funds
<b>ASSETS</b>									
Cash									
Unrestricted	\$ 5,770,403	\$ 6,162	\$ 11,600	\$	\$ 744,415	\$ 72,398	\$	\$ 53,404	\$ 6,658,382
Restricted	15,653,094			434,554	536,089		73,928		16,697,665
Receivables									
Accounts receivable	75,621		2,567						78,188
Due from other funds	262,861			538					263,399
Due from state and federal	304,170	260,161	1,018						565,349
Due from other governments	356,577								356,577
Inventory			2,978						2,978
Total Assets	<u>\$ 22,422,726</u>	<u>\$ 266,323</u>	<u>\$ 18,163</u>	<u>\$ 435,092</u>	<u>\$ 1,280,504</u>	<u>\$ 72,398</u>	<u>\$ 73,928</u>	<u>\$ 53,404</u>	<u>\$ 24,622,538</u>
<b>LIABILITIES</b>									
Payables									
Accounts payable	\$ 1,205,906	\$ 3,701	\$	\$	\$ 418,344				\$ 1,627,951
Accrued liabilities	102,191		3,183						105,374
Due to other funds		262,622			777				263,399
Due to other governments	215,939		666						216,605
Due to teachers' retirement system	1,902,382								1,902,382
Due to employees' retirement system	166,956								166,956
Unearned credits									
Collections in advance			9,048						9,048
Total Liabilities	<u>3,593,374</u>	<u>266,323</u>	<u>12,897</u>	<u>-</u>	<u>419,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,291,715</u>
<b>FUND BALANCES</b>									
Nonspendable:									
Inventory			2,978						2,978
Restricted:									
Workers' compensation	854,741								854,741
Unemployment insurance	201,110								201,110
Retirement contribution:									
Teachers' retirement system	1,043,032								1,043,032
Employees' retirement system	3,635,703								3,635,703
Insurance	1,542,032								1,542,032
Employee benefit accrued liability	449,360								449,360
Capital	6,164,026				299,432				6,463,458
Repairs	1,762,014								1,762,014
Debt				435,092					435,092
Unspent bond proceeds					236,657				236,657
Scholarships							73,928		73,928
Assigned:									
Appropriated fund balance	981,045								981,045
Unappropriated fund balance	401,449		2,288		325,294	72,398		53,404	854,833
Unassigned: Fund balance	1,794,840								1,794,840
Total Fund Balances	<u>18,829,352</u>	<u>-</u>	<u>5,266</u>	<u>435,092</u>	<u>861,383</u>	<u>72,398</u>	<u>73,928</u>	<u>53,404</u>	<u>20,330,823</u>
Total Liabilities and Fund Balances	<u>\$ 22,422,726</u>	<u>\$ 266,323</u>	<u>\$ 18,163</u>	<u>\$ 435,092</u>	<u>\$ 1,280,504</u>	<u>\$ 72,398</u>	<u>\$ 73,928</u>	<u>\$ 53,404</u>	<u>\$ 24,622,538</u>

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**

June 30, 2021

Total Governmental Fund Balances		\$ 20,330,823
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Cash held by third-party administrator is treated as a long-term asset and included in net position.		184,603
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	\$ 50,048,205	
Less: Accumulated depreciation	<u>(14,745,439)</u>	35,302,766
Proportionate share of long-term liabilities, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds.		
Deferred outflows of resources	12,443,625	
Net pension liabilities - teachers' retirement system	(2,850,211)	
Net pension liabilities - employees' retirement system	(11,486)	
Deferred inflows of resources	<u>(4,973,358)</u>	4,608,570
Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.		
Deferred outflows of resources	6,084,639	
Total other postemployment benefits liability	(83,994,478)	
Deferred inflows of resources	<u>(8,213,512)</u>	(86,123,351)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(76,453)	
Bonds payable	(17,206,404)	
Compensated absences payable	(406,125)	
Workers' compensation liabilities	<u>(282,731)</u>	(17,971,713)
Total Net Position (Deficit)		<u>\$ (43,668,302)</u>

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

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Afterschool Elementary Program	Total Governmental Funds
<b>REVENUES</b>									
Real property taxes	\$ 39,395,121	\$	\$	\$	\$	\$	\$	\$	\$ 39,395,121
Other tax items	500,880								500,880
Charges for services	1,785,447								1,785,447
Use of money and property	26,683		17	802		29	39	47	27,617
Sale of property and compensation for loss	9,882								9,882
Miscellaneous	502,395					35,220	14,000		551,615
State sources	1,772,683	55,848							1,828,531
Federal sources	66,111	292,060	4,078						362,249
Sales			82,059						82,059
<b>Total Revenues</b>	<b>44,059,202</b>	<b>347,908</b>	<b>86,154</b>	<b>802</b>	<b>-</b>	<b>35,249</b>	<b>14,039</b>	<b>47</b>	<b>44,543,401</b>
<b>EXPENDITURES</b>									
General support	5,853,274								5,853,274
Instruction	21,492,824	395,534				91,211	15,397		21,994,966
Pupil transportation	1,231,373	10,374							1,241,747
Community services								4,469	4,469
Employee benefits	9,739,851							313	9,740,164
Debt service									
Principal				1,140,000					1,140,000
Interest	187,242			527,778					715,020
Food service program			215,021						215,021
Capital outlay					1,433,795				1,433,795
<b>Total Expenditures</b>	<b>38,504,564</b>	<b>405,908</b>	<b>215,021</b>	<b>1,667,778</b>	<b>1,433,795</b>	<b>91,211</b>	<b>15,397</b>	<b>4,782</b>	<b>42,338,456</b>
Excess (Deficiency) of Revenues Over Expenditures	5,554,638	(58,000)	(128,867)	(1,666,976)	(1,433,795)	(55,962)	(1,358)	(4,735)	2,204,945
<b>OTHER FINANCING SOURCES AND (USES)</b>									
Operating transfers in		58,000	130,000	1,667,778	108,766				1,964,544
Operating transfers (out)	(1,964,544)								(1,964,544)
<b>Total Other Financing Sources and (Uses)</b>	<b>(1,964,544)</b>	<b>58,000</b>	<b>130,000</b>	<b>1,667,778</b>	<b>108,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,590,094</b>	<b>-</b>	<b>1,133</b>	<b>802</b>	<b>(1,325,029)</b>	<b>(55,962)</b>	<b>(1,358)</b>	<b>(4,735)</b>	<b>2,204,945</b>
Fund Balances - Beginning of Year, as Restated	15,239,258		4,133	434,290	2,186,412	128,360	75,286	58,139	18,125,878
<b>End of Year</b>	<b>\$ 18,829,352</b>	<b>\$ -</b>	<b>\$ 5,266</b>	<b>\$ 435,092</b>	<b>\$ 861,383</b>	<b>\$ 72,398</b>	<b>\$ 73,928</b>	<b>\$ 53,404</b>	<b>\$ 20,330,823</b>

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

For the Year Ended June 30, 2021

Net Change in Fund Balances \$ 2,204,945

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned. \$ (60,765)

Disbursements to the workers' compensation third-party administrator are treated as expenditures in the governmental funds; however, the decrease in cash held by the third-party administrator is recorded as an expense in the Statement of Activities. (28,984)

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

Decrease in workers' compensation liabilities 5,748

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

Increase in compensated absences payable (62,668) (146,669)

Capital Related Differences

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

Capital outlays and other additions 1,423,018  
 Depreciation expense (1,471,581) (48,563)

Long-Term Debt Transactions Differences

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

Repayment of bond principal 1,140,000

The amortization of the deferred premium, decreases interest expense in the Statement of Activities. 162,555

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2020 to June 30, 2021. 79,408

1,381,963

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system (2,127,802)  
 Employees' retirement system 283,932  
 Other postemployment benefits (3,061,245) (4,905,115)

Change in Net Position (Deficit) of Governmental Activities \$ (1,513,439)

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
June 30, 2021

	Custodial
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
<b>NET POSITION</b>	
Restricted for individuals, organization, and other governments	\$ -

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

	Custodial
<b>ADDITIONS</b>	
Real property taxes collected for:	
Library	\$ 2,870,836
Other - Whaling Museum	50,000
Total Additions	2,920,836
<b>DEDUCTIONS</b>	
Payments of real property taxes to the Library and museum	2,920,836
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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**C. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

**Governmental Funds** – are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

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

**Special Aid Fund** – is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

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

**Debt Service Fund** – accounts for the accumulation of resources for, and the payment of, principal and interest on long-term general obligation debt of governmental activities.

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

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

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

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

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***Afterschool Elementary Program Fund*** – is used to account for the activities of the afterschool elementary program service for Sag Harbor students in kindergarten through grade 5.

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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**E. Real Property Taxes**

Calendar

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

Enforcement

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

**F. Payments in Lieu of Taxes (PILOT)**

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

**G. Restricted Resources**

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

**H. Interfund Transactions**

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

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

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

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

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

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**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets.

**J. Cash and Cash Equivalents**

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

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

**K. Receivables**

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

**L. Inventory**

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

**M. Capital Assets**

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

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

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

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	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 3,000	30 years
Furniture and equipment	3,000	5 years
Licensed vehicles	3,000	5 years

**N. Other Assets**

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

**O. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**P. Short-Term Debt**

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

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

**Q. Collections in Advance**

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

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

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**R. Employee Benefits – Compensated Absences**

Compensated absences consist of unpaid accumulated sick leave.

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

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

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

**S. Other Benefits**

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

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

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

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

**T. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has two items that qualify for reporting in this category. First is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position and represents changes in the total other postemployment benefits liability not included in OPEB expense.

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

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**U. Equity Classifications**

District-Wide Statements

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

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction, and improvements of those assets.

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

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

Fund Statements

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

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

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

*Workers' Compensation Reserve*

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

*Unemployment Insurance Reserve*

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

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

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to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

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

*Insurance Reserve*

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

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

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

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

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*Repairs Reserve*

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

*Restricted for Debt*

Unexpended balances of proceeds of borrowings for capital projects, interest, and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

*Restricted – Unspent Bond Proceeds*

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

*Restricted for Scholarships*

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

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

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

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

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Fund Balance Classification

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

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

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

**3. FUTURE ACCOUNTING STANDARDS**

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

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

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

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

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

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

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

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**5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

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

Voter approved bus purchase funded by the transportation fleet capital reserve	\$ 58,766
Program costs funded by grants - CARES Act	61,144
Contingent expenditures funded by gifts and donations	<u>10,546</u>
	<u>\$ 130,456</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

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

**6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

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

**7. PARTICIPATION IN BOCES**

During the year ended June 30, 2021 the District was billed \$1,184,657 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$190,947. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**8. DUE FROM STATE AND FEDERAL**

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

General Fund	
New York State - excess cost aid	\$ 145,321
IRS refund	106,148
Federal grants	52,701
	304,170
Special Aid Fund	
Federal and state grants	260,161
School Food Service Fund	
Federal and state food service program reimbursements	1,018
	\$ 565,349

District management expects these amounts to be fully collectible.

**9. DUE FROM OTHER GOVERNMENTS**

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

General Fund	
BOCES aid	\$ 176,032
Other districts - tuition and health services	103,839
Other districts - charges for services	76,706
	\$ 356,577

District management expects these amounts to be fully collectible.

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

**10. CAPITAL ASSETS**

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,555,695	\$	\$	\$ 2,555,695
Construction in progress	15,271,319		(15,271,319)	-
Total capital assets not being depreciated	<u>17,827,014</u>	-	<u>(15,271,319)</u>	<u>2,555,695</u>
Capital assets being depreciated:				
Buildings	26,580,070	16,485,576		43,065,646
Improvements Other Than Buildings	1,380,707		(39,409)	1,341,298
Machinery and Equipment	1,720,290	151,682	(422,108)	1,449,864
Licensed Vehicles	1,578,623	57,079		1,635,702
Total capital assets being depreciated	<u>31,259,690</u>	<u>16,694,337</u>	<u>(461,517)</u>	<u>47,492,510</u>
Less accumulated depreciation for:				
Buildings	11,261,934	1,054,420		12,316,354
Improvements Other Than Buildings	526,549	75,943	(39,409)	563,083
Machinery and Equipment	998,003	200,319	(422,108)	776,214
Licensed Vehicles	948,889	140,899		1,089,788
Total accumulated depreciation	<u>13,735,375</u>	<u>1,471,581</u>	<u>(461,517)</u>	<u>14,745,439</u>
Total capital assets, being depreciated, net	<u>17,524,315</u>	<u>15,222,756</u>	<u>-</u>	<u>32,747,071</u>
Capital assets, net	<u>\$ 35,351,329</u>	<u>\$ 15,222,756</u>	<u>\$ (15,271,319)</u>	<u>\$ 35,302,766</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 220,987
Instruction	1,142,683
Pupil transportation	105,563
Food service program	<u>2,348</u>
Total depreciation expense	<u>\$ 1,471,581</u>

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

**11. INTERFUND TRANSACTIONS**

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 262,861	\$	\$	\$ 1,964,544
Special Aid Fund		262,622	58,000	
School Lunch Fund			130,000	
Debt Service Fund	538		1,667,778	
Capital Projects Fund		777	108,766	
	<u>\$ 263,399</u>	<u>\$ 263,399</u>	<u>\$ 1,964,544</u>	<u>\$ 1,964,544</u>
Total Governmental Funds	<u>\$ 263,399</u>	<u>\$ 263,399</u>	<u>\$ 1,964,544</u>	<u>\$ 1,964,544</u>

The District typically transfers from the general fund to the special aid fund, school food service fund, debt service and capital fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities. The transfer to the school food service fund was to provide support for the program per the approved budget. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the capital projects fund was a budgeted transfer of \$50,000 and a voter approved use of the capital reserve in the amount of \$58,766.

**12. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2020	Issued	Redeemed	Balance June 30, 2021
BAN	7/31/2020	2.49%	\$ 640,000	\$	\$ (640,000)	\$ -
BAN	7/31/2020	2.00%	2,555,000		(2,555,000)	-
TAN	6/24/2021	3.00%	-	13,000,000	(13,000,000)	-
			<u>\$ 3,195,000</u>	<u>\$ 13,000,000</u>	<u>\$ (16,195,000)</u>	<u>\$ -</u>

The TAN was issued to provide cash flow for the District until the District receives the real property taxes from the Town. The BANs were issued to provide cash for the District's capital projects.

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

Interest paid	\$ 187,242
Less interest accrued in the prior year	<u>(61,358)</u>
Total interest expense on short-term debt	<u>\$ 125,884</u>

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

**13. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 17,245,000	\$	\$ (1,140,000)	\$ 16,105,000	\$ 1,170,000
Add: Deferred premium	1,263,959		(162,555)	1,101,404	135,747
	<u>18,508,959</u>	-	<u>(1,302,555)</u>	<u>17,206,404</u>	<u>1,305,747</u>
Other long-term liabilities:					
Compensated absences	343,457	62,668		406,125	19,353
Workers' compensation	<u>288,479</u>	<u>83,652</u>	<u>(89,400)</u>	<u>282,731</u>	
	<u>\$ 19,140,895</u>	<u>\$ 146,320</u>	<u>\$ (1,391,955)</u>	<u>\$ 17,895,260</u>	<u>\$ 1,325,100</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Serial bond-refunding	9/15/2011	6/15/2022	2.0%-4.0%	\$ 310,000
Construction bond	2/16/2016	2/15/2036	2.0%-3.0%	7,050,000
Serial bond	6/1/2020	6/15/2035	2.0%-5.0%	<u>8,745,000</u>
				<u>\$ 16,105,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,170,000	\$ 491,431	\$ 1,661,431
2023	890,000	451,131	1,341,131
2024	925,000	418,781	1,343,781
2025	960,000	384,981	1,344,981
2026	990,000	349,731	1,339,731
2027 - 2031	5,565,000	1,182,706	6,747,706
2032 - 2036	<u>5,605,000</u>	<u>387,025</u>	<u>5,992,025</u>
Total	<u>\$ 16,105,000</u>	<u>\$ 3,665,786</u>	<u>\$ 19,770,786</u>

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

**C. Bond Premium**

In the district-wide statements, the District is amortizing the bond premium received in the prior year as a component of interest expense on a weighted average basis. The following is a summary of the amortized premium:

Year Ending June 30,	Amortization of Premium
2022	\$ 135,747
2023	127,859
2024	125,970
2025	117,247
2026	108,106
2027 - 2031	386,677
2032 - 2035	99,798
Total	\$ 1,101,404

**D. Interest Expense**

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

Interest paid	\$ 527,778
Less interest accrued in the prior year	(94,503)
Plus interest accrued in the current year	76,453
Less amortization of bond premium	(162,555)
Total interest expense on long-term debt	\$ 347,173

**14. PENSION PLANS – NEW YORK STATE**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% for covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 14.03% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was \$1,722,528 for TRS at the contribution rate of 9.53% and \$579,905 for ERS at an average contribution rate of 14.21%.

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2020, for TRS and March 31, 2021 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a

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

projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension liability	\$ (2,850,211)	\$ (11,486)
District's portion of the Plan's total net pension liability	0.103146%	0.0115352%
Change in proportion since the prior measurement date	(0.001707)	(0.0005749)

For the year ended June 30, 2021, the District recognized pension expense of \$3,853,646 for TRS and \$295,972 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 2,497,355	\$ 140,276	\$ 146,068	\$
Changes of assumptions	3,604,854	2,111,916	1,284,942	39,831
Net difference between projected and actual earnings on pension plan investments	1,861,438			3,299,472
Changes in proportion and differences between the District's contributions and proportionate share of contributions	167,956	170,347	128,115	74,930
District contributions subsequent to the measurement date	<u>1,722,528</u>	<u>166,955</u>		
Total	<u>\$ 9,854,131</u>	<u>\$ 2,589,494</u>	<u>\$ 1,559,125</u>	<u>\$ 3,414,233</u>

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

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

Year Ending June 30,	TRS	ERS
2022	\$ 1,126,572	\$ (166,134)
2023	2,257,607	(40,425)
2024	1,859,615	(151,159)
2025	1,140,835	(633,976)
2026	42,629	
Thereafter	145,220	
	<u>\$ 6,572,478</u>	<u>\$ (991,694)</u>

Actuarial Assumptions

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

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

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

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

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

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

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

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

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

Discount Rate

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

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

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

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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TRS	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
District's proportionate share of the net pension asset (liability)	\$ (18,003,803)	\$ (2,850,211)	\$ 9,867,492
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	\$ (3,188,085)	\$ (11,486)	\$ 2,918,082

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates were as follows:

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021, are paid to the system in September, October, and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021, represent employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$1,722,528 of employer contributions and \$179,854 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$166,956 of employer contributions. Employee contributions are remitted monthly.

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

**15. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the employees of the District for the year ended June 30, 2021 totaled \$829,123.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled \$336,804.

**16. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	130
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	185
	315

**B. Total OPEB Liability**

The District’s total OPEB liability of \$83,994,478 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

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

Inflation	2.60%	
Salary increases	2.60%	average, including inflation
Discount rate	2.16%	
Healthcare cost trend rates	6.60%	in 2019, decreasing to an ultimate rate of 4.10% for 56 years
Retirees' share of benefit-related costs	15-25%	of projected health insurance premiums for retirees
	100.00%	for surviving spouse

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

Mortality rates were based on the RP-2014 adjusted to 2006 total dataset mortality table, as appropriate, with adjustments for mortality improvements based on Scale MP 2017.

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

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

Balance at June 30, 2020	<u>\$ 79,728,043</u>
Changes for the year	
Service cost	3,343,243
Interest	1,818,337
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	700,760
Benefit payments	<u>(1,595,905)</u>
	<u>4,266,435</u>
Balance at June 30, 2021	<u>\$ 83,994,478</u>

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

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

OPEB	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability	<u>\$ (99,884,469)</u>	<u>\$ (83,994,478)</u>	<u>\$ (71,391,292)</u>

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

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.60%) or 1 percentage point higher (7.60%) than the current healthcare cost trend rate:

	1% Decrease 5.60% decreasing to 3.10%	Healthcare Cost Trend Rates 6.60% decreasing to 4.10%	1% Increase 7.60% decreasing to 5.10%
OPEB			
Total OPEB liability	<u>\$ (68,262,610)</u>	<u>\$ (83,994,478)</u>	<u>\$ (104,851,167)</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$4,657,150. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 4,213,135
Changes of assumptions or other inputs	<u>6,084,639</u>	<u>4,000,377</u>
Total	<u>\$ 6,084,639</u>	<u>\$ 8,213,512</u>

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

Year Ending June 30,	Amount
2022	\$ (504,430)
2023	(504,430)
2024	(504,430)
2025	(504,430)
2026	(422,787)
Thereafter	<u>311,634</u>
	<u>\$ (2,128,873)</u>

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

**17. RISK MANAGEMENT**

**A. General Information**

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

**B. Public Entity Risk Pool**

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

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

The District's liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2021, as processed by the EEWCC, is \$282,731. Claims activity is summarized as follows:

	2020	2021
Claims at beginning of year	\$ 304,977	\$ 288,479
Incurred claims and claim adjustment expenses	206,996	83,652
Claim payments	(223,494)	(89,400)
Claims at year end	\$ 288,479	\$ 282,731

The EEWCC is holding \$184,603 of cash on account for the District to satisfy these liabilities at June 30, 2021. In addition, the District has reserved \$854,741 in a separate cash account in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

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

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

**18. RESTRICTED FOR CAPITAL RESERVE**

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

Date Created	<u>May 2011</u>	<u>May 2017</u>	<u>May 2021</u>	
Number of Years to Fund	10	15	15	
Maximum Funding	<u>\$ 5,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 15,000,000</u>	<u>Total</u>
<b>General Fund</b>				
Funding Provided Since Inception	\$ 5,000,000	\$ 2,000,000	\$ 1,500,000	\$ 8,500,000
Interest Earnings Since Inception	17,136	12,329	1,441	30,906
Voter approved transfer of reserve	(2,943,536)		2,943,536	-
Use of Reserve Since Inception	<u>(2,073,600)</u>	<u>(293,280)</u>	<u>-</u>	<u>(2,366,880)</u>
Total General Fund	<u>-</u>	<u>1,719,049</u>	<u>4,444,977</u>	<u>6,164,026</u>
<b>Capital Projects Fund</b>				
Funding Provided Since Inception	1,200,000	293,280	-	1,493,280
Use of Reserve Since Inception	<u>(974,311)</u>	<u>(219,537)</u>	<u>-</u>	<u>(1,193,848)</u>
Total Capital Projects Fund	<u>225,689</u>	<u>73,743</u>	<u>-</u>	<u>299,432</u>
Balance as of June 30, 2021	<u>\$ 225,689</u>	<u>\$ 1,792,792</u>	<u>\$ 4,444,977</u>	<u>\$ 6,463,458</u>

**19. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$981,045 has been appropriated to reduce taxes for the year ending June 30, 2022.

**20. RESTATEMENT OF FUND BALANCE AND NET POSITION**

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of \$261,785 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's net fund balance and net position have been restated as follows:

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

	General Fund	Extraclassroom Activities Fund	Scholarships Fund	Afterschool Elementary Program	Statement of Net Position
Fund Balance/Net Position (Deficit)					
Beginning of Year, as Reported	\$ 15,239,258	\$	\$	\$	\$ (42,416,648)
<i>Assets</i>					
Cash	69,797	128,360	75,569	58,139	331,865
Due to general fund	(10,512)		(257)		(10,769)
	<u>59,285</u>	<u>128,360</u>	<u>75,312</u>	<u>58,139</u>	<u>321,096</u>
<i>Liabilities</i>					
Other liabilities	<u>59,285</u>		<u>26</u>		<u>59,311</u>
<i>Fund Balance/Net Position (Deficit)</i>					
Restricted			75,286		75,286
Assigned, unappropriated		128,360		58,139	
Unrestricted					186,499
	<u>-</u>	<u>128,360</u>	<u>75,286</u>	<u>58,139</u>	<u>261,785</u>
Fund Balance/Net Position (Deficit)					
Beginning of Year, as Restated	<u>\$ 15,239,258</u>	<u>\$ 128,360</u>	<u>\$ 75,286</u>	<u>\$ 58,139</u>	<u>\$ (42,154,863)</u>

**21. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

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

Assigned: Unappropriated Fund Balance:

General Fund

General Support	\$ 264,668
Instruction	133,761
Pupil Transportation	3,020
	<u>401,449</u>

Capital Projects Fund

Capital projects	<u>91,049</u>
	<u>\$ 492,498</u>

**B. Grants**

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

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

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**C. Litigation**

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

**22. SUBSEQUENT EVENTS**

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

**A. Issuance of TANs**

On September 23, 2021, the District issued tax anticipation notes in the amount of \$9,000,000, which are due June 23, 2022 and bears an interest rate of 1.25%. The District received premiums of \$72,454 with the borrowing to yield an effective interest rate of 0.18%.

**B. Coronavirus Response and Relief Supplemental Appropriations Act**

The District was awarded additional funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRSSA) in the amount of \$251,677, through the Elementary and Secondary School Emergency Relief program (ESSER).

**C. American Rescue Plan**

The District submitted its application for funding under the American Rescue Plan Act of 2021 (ARP). Under this plan, the District has been allocated an additional \$565,639 in federal funding.

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

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 39,737,613	\$ 39,395,087	\$ 39,395,121	\$ 34
Other tax items	160,140	502,666	500,880	(1,786)
Charges for services	1,282,090	1,282,090	1,785,447	503,357
Use of money and property			26,683	26,683
Sale of property and compensation for loss			9,882	9,882
Miscellaneous	76,000	86,546	502,395	415,849
<b>Total Local Sources</b>	<b>41,255,843</b>	<b>41,266,389</b>	<b>42,220,408</b>	<b>954,019</b>
State Sources	1,484,797	1,484,797	1,772,683	287,886
Federal Sources		61,144	66,111	4,967
<b>Total Revenues</b>	<b>42,740,640</b>	<b>42,812,330</b>	<b>44,059,202</b>	<b>\$ 1,246,872</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	1,591,783	1,591,783		
Prior Year's Encumbrances	447,257	447,257		
Appropriated Reserves	-	58,766		
<b>Total Appropriated Fund Balance</b>	<b>2,039,040</b>	<b>2,097,806</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 44,779,680</b>	<b>\$ 44,910,136</b>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

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

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 116,740	\$ 116,870	\$ 79,124	\$	\$ 37,746
Central administration	351,291	370,776	344,951	4,543	21,282
Finance	799,128	810,725	740,598	18,123	52,004
Staff	266,973	284,973	225,094		59,879
Central services	3,931,057	4,706,134	4,181,252	242,002	282,880
Special items	351,974	335,474	282,255		53,219
Total General Support	<u>5,817,163</u>	<u>6,624,952</u>	<u>5,853,274</u>	<u>264,668</u>	<u>507,010</u>
Instruction					
Administration & improvement	1,398,008	1,284,905	1,153,367	5,860	125,678
Teaching - regular school	13,752,832	13,846,336	13,038,136	43,658	764,542
Programs for students with disabilities	5,193,432	4,872,959	3,940,388	11,521	921,050
Occupational education	149,463	174,463	169,555		4,908
Teaching - special schools	21,000	9,940	8,831		1,109
Instructional media	1,017,350	1,117,169	918,271	52,926	145,972
Pupil services	2,764,241	2,823,831	2,264,276	19,796	539,759
Total Instruction	<u>24,296,326</u>	<u>24,129,603</u>	<u>21,492,824</u>	<u>133,761</u>	<u>2,503,018</u>
Pupil Transportation	<u>1,629,588</u>	<u>1,629,588</u>	<u>1,231,373</u>	<u>3,020</u>	<u>395,195</u>
Employee Benefits	<u>10,660,610</u>	<u>10,099,734</u>	<u>9,739,851</u>		<u>359,883</u>
Debt Service					
Principal	55,000	39,180	-		39,180
Interest	331,172	346,992	187,242		159,750
Total Debt Service	<u>386,172</u>	<u>386,172</u>	<u>187,242</u>	<u>-</u>	<u>198,930</u>
Total Expenditures	42,789,859	42,870,049	38,504,564	401,449	3,964,036
<b>OTHER USES</b>					
Operating Transfers Out	<u>1,989,821</u>	<u>2,040,087</u>	<u>1,964,544</u>		<u>75,543</u>
Total Expenditures and Other Uses	<u>\$ 44,779,680</u>	<u>\$ 44,910,136</u>	<u>40,469,108</u>	<u>\$ 401,449</u>	<u>\$ 4,039,579</u>
Net Change in Fund Balance			3,590,094		
Fund Balance - Beginning of Year			<u>15,239,258</u>		
Fund Balance - End of Year			<u>\$ 18,829,352</u>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

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

***Teachers' Retirement System***

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.103146%	0.104853%	0.102742%	0.103297%	0.104547%	0.103749%	0.105469%
District's proportionate share of the net pension asset/(liability)	\$ (2,850,211)	\$ 2,724,096	\$ 1,857,840	\$ 785,157	\$ (1,119,743)	\$ 10,776,251	\$ 11,748,594
District's covered payroll	\$ 17,859,266	\$ 18,046,472	\$ 16,706,714	\$ 16,797,985	\$ 16,132,662	\$ 16,030,196	\$ 16,357,538
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	(15.96)%	15.09 %	11.12 %	4.67 %	(6.94)%	67.22 %	71.82 %
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

***Employees' Retirement System***

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0115352%	0.0121101%	0.0105726%	0.0114276%	0.0118302%	0.0118929%	0.0118606%
District's proportionate share of the net pension liability	\$ (11,486)	\$ (3,206,817)	\$ (749,098)	\$ (368,819)	\$ (1,111,594)	\$ (1,908,850)	\$ (400,681)
District's covered payroll	\$ 3,900,447	\$ 3,947,567	\$ 3,657,567	\$ 3,239,416	\$ 3,242,885	\$ 3,148,245	\$ 3,113,330
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.29 %	81.24 %	20.48 %	11.39 %	34.28 %	60.63 %	12.87 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

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

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

***Teachers' Retirement System***

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,722,528	\$ 1,548,714	\$ 1,876,400	\$ 1,637,258	\$ 1,918,461	\$ 2,139,191	\$ 2,731,973	\$ 2,531,656	\$ 1,811,091	\$ 1,613,505
Contributions in relation to the contractually required contribution	1,722,528	1,548,714	1,876,400	1,637,258	1,918,461	2,139,191	2,731,973	2,531,656	1,811,091	1,613,505
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered payroll	\$ 18,074,794	\$ 17,859,266	\$ 18,046,472	\$ 16,706,714	\$ 16,797,985	\$ 16,132,662	\$ 16,030,196	\$ 16,357,538	\$ 15,868,467	\$ 14,847,007
Contributions as a percentage of covered payroll	10%	9%	10%	10%	11%	13%	17%	15%	11%	11%

***Employees' Retirement System***

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 579,905	\$ 503,221	\$ 463,872	\$ 471,318	\$ 444,584	\$ 475,197	\$ 559,364	\$ 531,283	\$ 589,736	\$ 403,203
Contributions in relation to the contractually required contribution	579,905	503,221	463,872	471,318	444,584	475,197	559,364	531,283	589,736	403,203
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered payroll	\$ 4,079,645	\$ 3,859,861	\$ 3,844,616	\$ 3,312,537	\$ 3,260,724	\$ 3,174,377	\$ 3,134,398	\$ 3,082,998	\$ 2,866,278	\$ 2,856,020
Contributions as a percentage of covered payroll	14%	13%	12%	14%	14%	15%	18%	17%	21%	14%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 3,343,243	\$ 2,580,823	\$ 3,208,198	\$ 3,114,755
Interest	1,818,337	2,648,374	2,361,445	2,251,852
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	-	(603,492)
Changes of assumptions or other inputs	700,760	2,169,701	(6,449,589)	-
Benefit payments	<u>(1,595,905)</u>	<u>(1,502,840)</u>	<u>(1,577,747)</u>	<u>(834,636)</u>
Net change in total OPEB liability	4,266,435	5,896,058	(2,457,693)	3,928,479
Total OPEB liability, beginning	<u>79,728,043</u>	<u>73,831,985</u>	<u>76,289,678</u>	<u>72,361,199</u>
Total OPEB liability, ending	<u>\$ 83,994,478</u>	<u>\$ 79,728,043</u>	<u>\$ 73,831,985</u>	<u>\$ 76,289,678</u>
Covered employee payroll	\$ 18,596,195	\$ 18,596,195	\$ 18,353,829	\$ 18,353,829
Total OPEB liability as a percentage of covered employee payroll	451.68%	428.73%	402.27%	415.66%
Discount rate	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	6.6% to 4.1% over 56 years	6.6% to 4.1% over 56 years	7.5% to 4.5% over 7 years	7.5% to 4.5% over 7 years

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

**Note to Required Supplementary Information**

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

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 44,332,423
Additions:		
Prior year's encumbrances		447,257
Original Budget		44,779,680
Budget revisions		130,456
Final Budget		\$ 44,910,136

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter-approved expenditure budget		\$ 44,871,539
Maximum allowed (4% of 2021-2022 budget)		\$ 1,794,862
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 1,382,494	
Unassigned fund balance	1,794,840	
		\$ 3,177,334
Less:		
Appropriated fund balance	981,045	
Encumbrances	401,449	
Total adjustments		1,382,494
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$ 1,794,840
Actual Percentage		4.00%

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

PROJECT TITLE	Budget June 30, 2020	Budget June 30, 2021	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
2008-2009												
Electrical connection box	\$ 50,000	\$ 50,000	\$ 48,683	\$	\$ 48,683	\$ 1,317	\$	\$	\$ 50,000	\$ 50,000	\$	\$ 1,317
2009-2010												
Buses	383,007	383,007	380,296		380,296	2,711	383,007			383,007		2,711
2011-2012												
Energy conservation	381,872	381,872	371,011		371,011	10,861			381,872	381,872		10,861
2012-2013												
Buses	575,000	575,000	522,759		522,759	52,241			575,000	575,000		52,241
Energy management	500,000	500,000	430,646		430,646	69,354			500,000	500,000		69,354
2015-2016												
ES-Entryway Tile Replacement	44,000	44,000	42,479		42,479	1,521			44,000	44,000		1,521
2013-2014												
HS bond project	5,953,922	5,953,922	5,877,605		5,877,605	76,317	5,953,922			5,953,922		76,317
ES bond project	1,746,210	1,746,210	1,745,361		1,745,361	849	1,403,210	343,000		1,746,210		849
Turf field project	1,620,000	1,620,000	1,577,087	16,208	1,593,295	26,705	1,620,000			1,620,000		26,705
2016-2017												
Stella Maris Purchase	10,233,500	10,233,500	8,843,738	1,259,687	10,103,425	130,075	10,233,500			10,233,500		130,075
2017-2018												
Window replacement project	1,200,000	1,200,000	873,489	100,822	974,311	225,689			1,200,000	1,200,000		225,689
ES gym and theatrical lighting	40,000	40,000			-	40,000			40,000	40,000		40,000
2018-2019												
Bus purchase	178,446	178,446	162,459	1,010	163,469	14,977			178,446	178,446		14,977
Learning center	50,000	50,000			-	50,000			50,000	50,000		50,000
2019-2020												
Bus purchase	56,068	56,068		56,068	56,068	-			56,068	56,068		-
Asbestos abatement	50,000	50,000			-	50,000			50,000	50,000		50,000
2020-2021												
Bus purchase		58,766			-	58,766			58,766	58,766		58,766
Asbestos abatement		50,000			-	50,000			50,000	50,000		50,000
<b>Totals</b>	<b>\$ 23,062,025</b>	<b>\$ 23,170,791</b>	<b>\$ 20,875,613</b>	<b>\$ 1,433,795</b>	<b>\$ 22,309,408</b>	<b>\$ 861,383</b>	<b>\$ 19,593,639</b>	<b>\$ -</b>	<b>\$ 3,577,152</b>	<b>\$ 23,170,791</b>	<b>\$</b>	<b>\$ 861,383</b>

**SAG HARBOR UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2021

Capital assets, net	<u>\$ 35,302,766</u>
Deduct:	
Short-term portion of bonds payable	1,170,000
Long-term portion of bonds payable	14,935,000
Less: Unspent bond proceeds	<u>(236,657)</u>
	<u>15,868,343</u>
Net Investment in Capital Assets	<u><u>\$ 19,434,423</u></u>



VINCENT D. CULLEN, CPA  
(1950 – 2013)

JAMES E. DANOWSKI, CPA  
PETER F. RODRIGUEZ, CPA  
JILL S. SANDERS, CPA  
DONALD J. HOFFMANN, CPA  
CHRISTOPHER V. REINO, CPA  
ALAN YU, CPA

**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  
Sag Harbor Union Free School District  
Sag Harbor, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Sag Harbor Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee, and management of the Sag Harbor Union Free School District in a separate letter dated October 27, 2021.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

October 27, 2021

